Management RECORD

Oct. 1957 • Vol. XIX • No. 10

- Productivity and the Scanlon Plan
- Companies Fight the "Flu" Bug
- Productivity and Wage Negotiations
- Company Trains for Personnel Work

NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

CONTENTS

SPECIAL ARTICLES

REGULAR FEATURES

Management Record

October, 1957 · Vol. XIX, No. 10

• In the Record •

There's Productivity and There's Productivity

"Productivity and Incentive Pay" and "Productivity and Wage Negotiations," as the titles imply, both deal with the subject of productivity. But there the similarity ends; the two articles approach output per man-hour from very different vantages.

1. In the "Wage Negotiations" story, productivity is used in possibly its more current sense; that is, an increase in output per man-hour is generally determined by a number of factors such as technological improvements, more effective management, more efficient labor, etc. The result of any or all of these factors is that worker X is able to produce 23 units per hour this year, compared with 21 units last year. And we say productivity has gone up whether worker X has had a great deal, little, or nothing to do with the increase.

Often it's hard to determine who or what is primarily responsible. And it's here that many arguments arise between labor and management at the bargaining table. Naturally labor argues that increased productivity should be translated into higher wages and/or more fringes. Management may argue that it should be used to lower prices—so everyone will get the benefit. To back up their respective positions, all kinds of data are collected, and the figures put together in various ways to prove various points. In "Productivity and Wage Negotiations," starting on page 352, you'll see eleven samples of how these data are presented by companies and unions.

2. In the "Incentive Pay" story, productivity is used in its more classical sense: it refers specifically to the workers' contribution to increased output, even though "the workers" in this particular case are literally all the employees (except salesmen) of the Rochester Division of the Pfaudler Company. Everyone, including top executives, is covered by a plant-wide Scanlon incentive plan. This plan was installed five years ago after careful study and long consultation between top management and union officials. Like all Scanlon plans, it was tailored to the needs of the particular company, and the final step in its adoption was to put it to a vote of the union membership.

A Scanlon plan, to describe it in its simplest form, is based on a ratio between *production sales values and the cost of that production in terms of wages and salaries*. An historical ratio is set up as a norm. Wage and salary costs are then computed monthly, and any savings are distributed in cash to all the employees covered. This is the incentive pay.

But what else may be at work? There have been many incentive pay plans and profit sharing plans that have failed to bring about any appreciable increase in worker productivity, according to management. Scanlon plans, on the other hand, have an enviable record. In this case, both the Pfaudler Company and the Steelworkers' union concur that the whole "climate" at the Rochester Division has changed. Employees on all levels seem more concerned with doing an effective job. Rivalries, it is reported, have melted away. Suggestions, which are not paid for as such, have become plentiful; and many of them have been successfully installed. Supervisors in particular have developed a new attitude toward their jobs. Even though Pfaudler warns that it is not Utopia, obviously something very important has happened here.

This case study of productivity and a Scanlon plan starts on the next page.

• • •

Companies Fight the "Flu" Bug

Asian influenza, which was slowly infiltrating the country over the summer months, has now reached epidemic levels in some areas and is seriously threatening others. Naturally, companies are concerned at the possibility that large numbers of their employees may become ill, and they want to protect these workers if they can. But many companies are undecided as to what service they can properly offer their employees. They ask the following questions: Should a company vaccinate all workers as part of its medical service, or should each employee be referred to his own doctor? And in either case, who should pay for the vaccination? Should the company cover the whole cost or should the employee pay at least part of the bill?

To help firms resolve these and other questions, the Board has surveyed fourteen companies. The article starting on page 350 describes how each has resolved the question of who should pay, and where and when the vaccination should be given.

• • •

Company Trains for Personnel Work

Today many companies are faced with a growing need for personnel workers. A standard solution to the problem has been to transfer capable people from other departments and train them in the new work while on the job. This system may be adequate for certain companies, but others may not be satisfied with constantly borrowing employees.

Several years ago General Electric came to the conclusion that a new approach was needed if it was to fill its future requirements for personnel workers. Therefore it decided to set up a special training program for these people. Since General Electric already had several well-established programs for college graduates, it proved relatively easy to integrate the new personnel course into the over-all setup.

How recruits are chosen, what is covered in the course, what type of training is offered, and how long the schooling lasts are all discussed in the article starting on page 360.

Productivity and Incentive Pay

The Pfaudler Company's experience with the Scanlon incentive pay plan—which covers almost all employees in its Rochester Division—has important implications for the problem of how to increase productivity

OVER THE LONG TERM, the nation's productivity has shown a constant rise. In the aggregate, these gains have been shared by four interested parties—employees, managers, owners, and consumers. While the extent to which each party has shared is not accurately known, productivity increases have contributed to the progressively higher standard of living for the nation as a whole.

New machines, tools, equipment and automation get much of the credit for the upward movement of productivity year after year. The part played by technology and its effect on employee compensation is acknowledged by several major companies. In fact, the philosophy is often embodied in their collective bargaining agreements. The 1948 General Motors Corporation contract with the United Auto Workers is the most notable example. This contract and the one negotiated in 1955 by GM provide for annual wage increases without renegotiation or wage reopeners. Such increases have come to be known as an "annual improvement factor," and many other companies have included such clauses in their contracts.

The contractual clause assuring employees a share in productivity gains and acknowledging the value of introducing labor-saving devices in the General Motors agreement reads as follows:

> "The annual improvement factor provided herein recognizes that a continuing improvement in the standard of living of employees depends upon technological progress, better tools, methods, processes and equipment, and a cooperative attitude on the part of all parties in such progress. It further recognizes the principle that to produce more with the same amount of human effort is a sound economic and social objective."

PERSONNEL POLICIES AND PRODUCTIVITY

A vast majority of large and small companies in practically all industries have granted wage and salary increases without benefit of a union contract that defines annual adjustments in base pay. While many companies grant pay increases primarily because other firms in the industry or area have raised their wages, other companies grant increases as a matter of policy. These latter companies are on record that their wages and salaries will be at levels equal to or greater than those prevailing in the area or in the industry.

It is acknowledged that such personnel policies can contribute to higher labor costs and higher consumer prices. However, the companies believe their policies, combined with whatever technological advances are developed, tend to keep the rise in costs and prices at a minimum. Feeling runs strong among these companies that payment of high wages and salaries attracts more prospective employees who are able to keep up their end on productivity.

In addition to payment of high base rates, policies pertaining to promotion from within, security benefits, profit sharing, incentive pay plans, etc., are adopted and implemented as a means of impelling employees to boost productivity. Incentive pay plans, in one form or another, are used with marked success in many companies for encouraging higher productivity. Some companies say their policy on incentives has helped immeasurably to increase productivity—sometimes to levels beyond those originally estimated for the technological improvements.

Popularity of incentive pay plans stems from the adoption of techniques of work measurement as originally developed by Frederick W. Taylor around the turn of the century. One of the large steel companies was among the first to formulate a policy on incentives based on Taylor's principles. In the company's published statement of policies adopted by the board of directors in 1919 is the following paragraph:

> "Incentives: To provide every possible and practical sound incentive to best effort, as it is the great mainspring of all human accomplishment."

The company has not altered its stand on incentives. It is convinced that practical incentives contribute to increased efficiency and more security for all levels of employees and managers. At present, the company is using the following plans:

- Hourly incentives for hourly production and maintenance employees in basic steel operations
- Hourly incentives for all production employees in fabricating plants
- Supervisory incentives for salaried foremen and supervisors in all production and maintenance departments
- Sales incentives for salesmen and related sales personnel

• Profit-sharing incentives for managerial and executive personnel

• Profit-sharing incentives for all other salaried employees not covered by any one of the above plans.

OUTLOOK ON INCENTIVES

Over the years, a variety of incentive systems and plans have been designed and installed, depending upon individual company requirements. But no matter how much the plans differ in design, a thread of similarity is present in all. Each is adopted, and often modified periodically, as an aid in attaining three goals: (1) high production levels, (2) high employee earnings, and (3) lower unit costs. And this is accomplished by relating earnings to output. Advocates and users of incentive pay plans strongly believe there is no better way to reward employees for extra effort and at the same time keep costs down.

But whatever claims are made for incentives, there are personnel administrators who loathe their use. And they are not alone in this feeling. Other company executives express the same sentiment. Also employees in certain industries object to incentive pay plans. Because of prejudices, they cannot think dispassionately about the merits of incentives.

Personnel administrators complain that incentives have a way of multiplying employee grievances. They are also critical of the various plans that are not readily understood by all employees. They complain that complex plans tend to arouse employees' suspicions about company intentions.

Another criticism often made by department heads and plant managers is that a majority of the incentive pay plans in current use are limited to direct labor operations. They argue that plans discriminating against indirect labor operations—maintenance and repair, materials handling, inspection, etc.—affect the over-all level of productivity. Some of this opposition is diminishing in view of the good experience in recent years with plans for janitors, pipefitters, timekeepers, and inspectors.

Office managers have traditionally opposed incentives for white collar workers; they consider them to demean the white collar status. Also, individual variation in duties and the consequent choice of action allowed in most nonmachine clerical operations make the cost of setting and maintaining incentive standards for these jobs almost prohibitive. However, here again, progress is reported with incentive plans designed for repetitive clerical operations such as typing, billing and card punching.

Employees themselves give several reasons why they have no confidence in incentives. Union leaders periodically remind their constituents about the old sweatshop abuses of managers and owners. Also antipathy is expressed whenever incentives are proposed as a basis for earning a living wage. Employees want, and their union representatives bargain for, a living wage that is not conditional upon extra effort; rather, they believe it should be a normal reward for normal effort. Another union objection is the natural tendency of foremen to identify employees only on the basis of their production—as high, low or average producers. Personnel administrators, in some cases, raise this same objection. The argument is that in addition to production there are other important factors in the make-up of a "good employee." Other reasons why employees dislike incentives are:

Too many disagreements on setting standards and rates;

Frequently, plans are shrouded in mystery;

Reluctance to adjust "tight rates" and eagerness to adjust "loose rates";

The opportunity for incentive earnings is often used as a counter proposal for demands in base pay increases.

While incentives are traditional in certain industries and recognized by the respective unions, there is a wide range of opinion on these pay plans among other unions. For example, the constitution of one international union prohibits incentives if they were not used prior to the unionization of employees. Contrasted with this is the view of the president of one of the largest unions who believes any pay system can be made to work when employee morale is high and there is mutual understanding by management and labor of each other's objectives.

COMPANY-WIDE INCENTIVE PLANS

If productivity is basic to the payment of high wages to all the employees in a company, does it make sense to adopt a company-wide incentive pay plan? While many companies answer "yes," they are stymied on how to implement such a plan. That may be why relatively few companies have a single plan, other than profit sharing, that covers all employees. Instead, two or more plans are used, as in the case of the basic steel company mentioned previously. The real problem in designing a single company-wide plan is reaching an agreement on standards that have universal application.

In recent years, a number of small to medium-size companies have introduced group incentives on a company-wide or plant-wide basis. One system in current use is identified as the Scanlon plan. It was originally conceived by the late Joseph N. Scanlon of the Massachusetts Institute of Technology, who prior to joining MIT's faculty was an official of the United Steelworkers of America. At present, other faculty members at MIT are working with various companies to design plans to fit their individual requirements.

Universal Standards

The Scanlon plan solves the problem of universal standards by setting up one measure that reflects the results of all efforts. This measure is the sales value of a company's production. In effect, the plan says that

if production sales values are increased with no change in labor costs, productivity rises and unit costs are lowered. The universal standard, then, is the ratio of labor costs to production sales value added.

A feature of the Scanlon plan is the use of historical data on labor costs and production sales values to determine this standard. A labor cost "norm" is computed according to past accounting records. And a formula is devised for giving employees the benefit of anything saved under the norm. The over-all company performance is considered in computing the norm, which is expressed as a ratio between output—*units, dozens, ounces, pounds, tons* or *dollars of sales value*—and the cost of the output in terms of *wages and salaries paid*. The ratio may be computed as an average, taking into account factors such as vacations, seasonal fluctuations in demand, and price fluctuations.

How this works can be seen in the case of a company producing $200,000 worth of goods during each month. According to past accounting records, the average paid in wages and salaries to produce the goods equals $60,000. This ratio becomes the norm. During another month, following the installation of the Scanlon plan, the company produces $235,000 worth of goods with the wage and salary bill not exceeding the $60,000 figure. The extra $35,000 in production, less material and other costs, is distributed, in part, on a prorated basis to employees covered by the plan.

A majority if not all employees on direct and indirect labor may participate in a Scanlon plan. Even nonexempt white collar employees are included in some plans. And a few companies extend participation to exempt supervisors and executives.

Proponents of individual and small-group incentives say such "universal treatment" is unfair to individual employees. They feel individual performance is diluted or lost sight of in the large group and therefore all covered employees are treated no better or worse than the "group average." However, advocates of the Scanlon plan and other types of large-group incentive plans favor the idea since it embodies a cooperative goal; to receive their incentive pay, employees work for the good of the whole group. The proponents of the plan believe the company's total production *is the result of group action and the coordination of efforts and interests of all employees*, rather than the efforts of just a selected few.

Company success and employee satisfaction with the Scanlon plan are traced by many to the mutual understanding that develops from total participation by management and labor in solving production problems. A New England machine tool manufacturer reports its plan gave rise to a whole new philosophy of management-labor relations. Previously, the company had been using an individual piecework incentive plan which had limited application in factory operations. Indirect labor was not covered. And employee grievances abounded, leading to production delays, more than normal spoilage and slow deliveries.[1]

SCANLON PLAN CASE STUDY

The Pfaudler Company, manufacturers of glassed steel and alloy equipment for the process industries, has plants located in New York, Ohio, Mexico, Scotland, Germany and Japan. Its Rochester (New York) Division, the largest plant in the group, has been operating under a plant-wide Scanlon plan since February, 1952. This division has approximately 1,000 employees and houses the general offices.

Pfaudler employees refer to the Scanlon plan as the company's PEP (Productivity Earnings Plan) pay system. It is referred to as a Group Incentive Plan in the employee handbook, with the terms defined as follows:

GROUP	meaning a team.
INCENTIVE . .	meaning a reward or bonus for above average or improved performance.
PLAN	meaning a method of action.

Background of the Plan

Like many other steel fabricating firms, most Pfaudler employees are represented by the United Steelworkers' union, and a smaller number by the Sheetmetal Workers Union. The plant was organized several years before the adoption of the Scanlon plan. Labor relations were never really "bad." Yet, on the other hand, they were not "ideal." Perhaps they were "normal" labor relations, as they exist in many other companies. On occasion ill will prevailed in the shops because of misunderstandings between employees and their supervisors and between management and union leaders. As a result, the company had its share of grievances that could not be reconciled by the immediate supervisor involved in the complaint.

Before the installation of the Scanlon plan, Pfaudler followed the practice of paying hourly rates in the factory and weekly rates to some office workers. It was the company president who initially indicated interest in a plan that would motivate employees to increase their take-home pay without increasing unit costs. A conventional piecework system was not desirable because factory operations were of a job shop nature. And there was no desire to set standards based on time and motion study principles. So this automatically eliminated incentive systems that require time and motion analysis. It was also thought that the cost of setting up and maintaining standards for a piecework, standard hour or premium bonus plan would be prohibitive.

Because of the esteem held for the company president and his interest in the welfare of employees, other

[1] "Incentive Compensation and Increased Productivity," *Management Record*, June, 1955, p. 230.

executives and the union president became interested in the possibilities of an incentive pay plan. Various group incentives and profit-sharing plans were investigated. And after a search of more than a year, the Scanlon plan was proposed. The consensus was that this plan might meet company requirements for an incentive pay plan, and further investigation was suggested.

Company and union representatives devoted several months to reading literature, conferring with Joseph N. Scanlon and visiting six companies that had designed and installed plans of this type. All parties were deeply impressed by the experiences of these companies. Field visits were followed by a series of formal and informal meetings between the company and the union. There also were meetings among company executives and among the rank and file of the union. The union president kept the regional director of the United Steelworkers for the Rochester area posted on developments.

When general agreement was achieved and the green light was given to proceed with the installation of the Scanlon group incentive plan, both company and union were advised to put the final plan to a vote of the union membership. It was suggested that the plan should be adopted only if 75% of employees in good standing favored it. Strong support was considered the best means to guarantee success. Although the vote fell somewhat short of this goal (65%), the company and union agreed to give the plan a trial run for nine months. Following this period, the plan was submitted to a second vote by the union membership. This time approximately 95% approved the plan—a rather surprising figure in view of the fact that while employees received extra pay equal to 15% of base wages during the first month, production began to slide for several months thereafter, and no incentive pay was received.

Some of the Results

In the five years since the plan's installation, all grievances have been resolved at the first step in the grievance procedure. This does not imply, of course, that grievances have been few in number during the past five years. According to the union president, he and his shop stewards "still have arguments with management." However, the change in the atmosphere is real, and seems to be based on mutual understanding of the importance of maintaining harmonious relations. The feeling prevails among the union leadership that the problems of the aggrieved are no longer management's problems alone. Now they are everyone's problems. For instance, foremen and supervisors have gradually become more responsive to employee desires since adoption of the Scanlon plan. And much of the credit for the current good labor relations goes to this change in attitude of most foremen and supervisors in the company.

The first two paragraphs of the "Memorandum of Understanding" between the company and the union on Scanlon plan rules may be the basis for generally improved labor relations. They read as follows:

> "PRODUCTIVITY EARNINGS PLAN
>
> "This memorandum establishes the basis for an employee-management cooperation and productivity earnings plan between the Pfaudler Company and its employees. This plan becomes effective February 1, 1952, subject to approval under any applicable government regulations. It shall remain in full force and effect until such time as either the company or the employees request termination of this agreement.
>
> "This Productivity Earnings Plan is designed to enable employees of the company to benefit from their increased cooperation, participation and efforts as reflected in increased productivity. . . ."

After five years of experience both management and employees are of the opinion that there is no substitute for a large-group incentive plan. Admittedly, the Scanlon plan is no panacea for increasing productivity and reducing operating costs. However, as a measure of the plan's over-all acceptance and success, the company recently installed in one of its other divisions another plant-wide incentive plan, which incorporates some of the features of the Scanlon plan.

Eligibility

The plan as originally conceived was to provide a means for extra pay for nonexempt production employees. However, it was extended to include all employees after they have been on the payroll for two months, with the exception of salesmen paid on a commission basis. It was the union's suggestion that executives in the Rochester Division should also participate in the plan, because union spokesmen felt that such "total coverage" would contribute immeasurably to the plan's success. The company followed the union's advice to the point of including all corporate officers. It feels that the decision has paid off well because a majority of all levels of employees—welders, crane operators, typists, accountants, engineers, correspondents, foremen, managers, executives—have developed more interest in their jobs and in the company's welfare.

The company has found, too, that plant-wide eligibility has promoted greater cooperation among departments. Department heads seem to be more willing to talk to each other about their problems. More serious thought is given to the "before" and "after" effects when individual pet projects are adopted. Old timers around the shop are now willing to help and train the new and younger workers to improve their skills. Extending coverage to white collar operations—accounting, estimating, engineering, purchasing, personnel, etc.—has practically eliminated tendencies toward "empire building."

(Continued on page 376)

Companies Fight the "Flu" Bug

Should a company offer inoculations against the fast-spreading Asian flu to key employees, all employees, or leave the whole matter up to the individual?

TO VACCINATE or not to vaccinate—that is the question facing many company managements. The problem, of course, concerns immunizing employees against Asian "flu." Some firms have already settled on a course of procedure; others are still wondering what to do. But since the vaccine is difficult to obtain, the latter group believes (and hopes) it still has time to make its decision.

The indecision of these company managements stems from the many contingencies connected with mass group vaccinations, such as conflicting opinions of health authorities regarding the need for mass inoculations, and the shortage of the vaccine, which, in some cases, tends to produce a "wait and see" attitude.

Here are some of the questions that managements are asking. Should the company vaccinate all employees or only key persons? Some companies even wonder about offering vaccinations to the families of employees. What good will it do to immunize the employee, they ask, if he must stay at home to care for a sick family? And what about the cost of the vaccination? Should the company pay or charge the employee? Is it desirable to ask employees to sign a release from company responsibility in case a few experience bad reactions—allergic reactions, for example—to the egg-cultured vaccine? And what about the possibility that those who are vaccinated may have a reaction that entails a headache and slight fever for a day or two? Will this itself cause such excessive absenteeism that it may be wise to give inoculations at different periods to employees within the same department? Then, too, some companies hesitate to offer vaccinations because they wonder if vaccinations are considered a form of "treatment" rather than preventive care—the real purpose of their medical departments.[1]

WHAT COMPANIES ARE DOING

There are many companies in various sections of the country that have resolved these questions and have decided to go ahead with their vaccination programs as quickly as the influenza vaccine becomes available. THE CONFERENCE BOARD has queried some of these firms about their procedures. In the group are manufacturing, merchandising, and business concerns.

Among fourteen firms that have decided on a course of action, only one, a manufacturing company, is confining its vaccination program to executives in the company. Another firm, a financial institution, is providing the service only to those employees who ask for it and is doing nothing to publicize its action. The remaining companies are offering the shots to all employees as the vaccine becomes available. However, one company with extensive overseas operations is restricting its first shipments of vaccine to employees who are leaving for foreign assignments or field trips. Only one of the fourteen firms indicated it may offer the vaccinations to the families of employees.

The Cost

Of those firms that indicated their practice on allocating the cost of the program, seven are offering the shots free. A merchandising establishment in the Middle West is providing the influenza immunization to all employees who ask for it and is charging them 70 cents each. The vaccination is done on company time. On the other hand, a Midwest manufacturing company is charging $1.50 per shot and is providing the service on the employee's time. The loss of time is negligible, however; one company says it can give sixty injections every ten minutes.

The New York home office of a large manufacturing firm is charging $1 per shot, as it did with the Salk vaccine, so that the emergency program won't be charged against the regular budgeted expenses of the medical department.

Companies that are offering the shots free say the cost is small when they consider the far greater cost should large numbers of employees have to stay away from work because of influenza.

Signing Releases

Some companies, especially those with past experience in providing polyvalent flu vaccine shots (a vaccine that immunizes against various types of influenza virus) or Salk polio shots, are not concerned with getting written releases from the employees. They may only ask workers to sign up for the program. But some companies feel safer if they require the employee to sign a written form *requesting* the company to give the vaccination. And one company that has some minors in its employ requires a consent form from some member of the individual's family.

---

[1] This is similar to the situation a year ago when companies were debating the advisability of offering Salk vaccine to employees as immunization against poliomyelitis.

The "Treatment" Aspect

Few firms appear to hesitate about the medical ethics of the situation. They consider these immunization shots to be part of a preventive health program and protection for the company against excessive absenteeism. But the company mentioned above as offering the service only to those who ask for it is one that considers vaccinations to be treatment. Although this company has an on-the-premises medical service staffed by a doctor and nurse, it is not permitting them to give the vaccinations. Instead, when an employee asks for the inoculation, the company offers to pay the cost if the individual will go to his own family physician.

On the other hand two of the companies that are providing free vaccinations do not even have on-the-premises medical services but have arranged for outside doctors to come to the company premises to give the shots as the vaccine becomes available.

Reactions to the Vaccine

Predictions of possible ill effects from the vaccine are causing some companies to adopt the precautionary measure of vaccinating the employees on a Friday. This enables workers to relax over the week end should they feel any ill effects. However, the one company surveyed that has completed its vaccination program says that while many of the several hundred persons who had injections (on a Friday) experienced slight reactions—such as a tired feeling or slightly elevated temperature—none were seriously indisposed. And a company doctor, who has completed 50% of the vaccinations for his company's employees, says that only one person reported a reaction severe enough to require him to stay home. And this individual, it was believed, had already contracted a respiratory infection prior to receiving the shot. In almost all cases, however, employees reported having sore arms for a short time after the injections. Many companies take the precaution of warning employees not to be vaccinated with the egg-cultured serum if they are allergic to eggs or poultry.

EXTENT OF PARTICIPATION

Most companies report that a high percentage—70% to 100%—of their employees have signed up for the shots. Few firms contacted had received enough vaccine to complete (or sometimes even begin) their programs. But one company that has finished its group vaccinations reports that only 56% of its 800 employees reported for the shots although 100 more had signed up. The reason for this large drop-out was newspaper publicity the day before the vaccinations took place, which cited some health authorities as believing mass vaccinations to be unnecessary.

Another firm has already vaccinated 400 of its employees and this represents about half of the 99.5% signed up.

Doris M. Thompson
Division of Personnel Administration

Management Bookshelf

What Can You Do About Asian Flu?—This educational booklet succinctly describes what Asian flu is; explains its origin, symptoms, treatment, effect on the individual, and the expected effect in the United States. Two pages are devoted to a discussion of the vaccine developed to combat the flu. *Good Reading Rack Service, Inc., 76 Ninth Avenue, New York 11, New York, 1957, 8 pp., available at quantity prices.*

Contemporary Collective Bargaining—This book contains a series of articles dealing with the development of collective bargaining in a number of Western countries. The countries covered in the survey and the authors are as follows: "Great Britain," Allan Flanders; "Trade Unionism and Wage Policy in Norway since the War," J. Inman; "The Development of Collective Employment Agreements in the Netherlands," P. S. Pels; "Collective Bargaining in France," Adolf Sturmthal; "Collective Bargaining in Postwar Germany," Clark Kerr; "Collective Bargaining in Italy," Luisa Riva Sanseverino; "Wage Structure and Cost of Labor in Italy," Cesare Vannutelli; "Collective Bargaining in the United States," Neil W. Chamberlain; and "An Essay on Comparative Collective Bargaining," Adolf Sturmthal. *Edited by Adolf Sturmthal, The Institute of International Industrial and Labor Relations, Cornell University, Ithaca, New York, 1957, 382 pp., $4.50.*

The Industrial Relations Executive—This report represents an attempt by the editors of *Industrial Relations News*, a weekly newsletter, to bring into clearer focus what it terms "America's newest professional"—the industrial relations executive. The report is based on a comprehensive questionnaire sent to selected people in the industrial relations field. Statistical answers are provided to a variety of questions. Some of these questions are: Who is the industrial relations executive? How did he enter the field? What is his background, education and previous experience? What is his activity in professional organizations, his reading habits? What is his attitude toward his job, his relationship to management? Does he feel adequately paid and informed? And finally, what are his present problems and chances for future progress? *By Industrial Relations News, New York, New York, 1957, 21 pp., $3.50.*

Productivity and Wage Negotiations

Unions more often than management use productivity data in bargaining, but either side may produce these figures to bolster an argument for or against a wage increase

THE IMPORTANCE of increasing productivity is one thing that unions and management generally agree on. For example, the AFL-CIO publication, *Labor's Economic Review*, states that increasing productivity offers "the promise of continuing improvements in national strength and in living conditions." Similarly, a management publication (distributed by Bemis Bro. Bag Co. as well as other firms), entitled "A Better Life for You," ends with an admonition to the employee that "more production per man per hour means lower costs, more jobs, and a better standard of living for everyone."[1]

Agreement on the part of unions and management on the role of productivity, however, frequently disappears once the topic is raised at the bargaining table. There, the issue no longer concerns the merits of increased productivity; rather it centers on whether, or to what degree, increased productivity should be translated into bigger pay checks. That this issue is frequently brought forth during negotiations is demonstrated by two surveys sponsored by The Conference Board. One survey was among unions, the other among companies. A comparison of the results indicates that, on the whole, unions use the productivity argument in bargaining more often than companies. The union survey covered thirty-eight of the country's major unions, with a membership of nearly 8 million. Thirty-one of these, with a membership of 7.3 million, say that they use productivity data in bargaining.

The company survey covered 239 United States and Canadian firms. Only sixty-one of these report that they use productivity data in bargaining, while 170, or 70%, report they do not. (See Tables A and B.) Also, many of the companies that prepare productivity data say that they do so only to be ready to answer the union at the bargaining table. An oil company executive, for example, states he uses the data "only when the union brings up the subject." A midwestern executive remarks he uses such data "as a defensive weapon." And a third company reports it brings forth productivity data only if the "union attempts to introduce featherbedding."

WHO CAUSES PRODUCTIVITY

The fight for increased wages as a result of increased productivity takes many forms in collective bargaining. But the debate basically revolves around two issues: who causes increased productivity and who should receive its benefits? It is the answers to these questions, as given by unions and management, that are at the root of the argument about the relationship between productivity and wage increases.

Productivity usually means output per man-hour of work. It is generally determined by dividing the amount of output by the man-hours worked. But many individuals, particularly company executives, argue that this implies that productivity is wholly the product of improved worker skills. They claim this is not true. For example, one company's industrial relations executive argues that his concern feels very strongly that increased productivity is much more the result of "management efficiency and engineering progress than of labor output."

A trade association has a similar reaction. It argues that increased productivity "reflects the joint effect of many interrelated factors such as rate of operation; increased mechanization; skill and effort of the workers; and efficiency of management."

How the Unions See It

Union spokesmen do not discount the items mentioned above. However, they emphasize the role of the worker, and certain other factors, rather than management's role. For example, the AFL-CIO *Labor's Economic Review* gives as the reasons for increased productivity "the heritage of social, scientific, and technological knowledge, and the school system that passes this knowledge on." Other causes, it says, are economic competition, trade union pressures for wage increases, and "growing consumer markets for goods and services that provide an incentive for companies to invest in technical research and in new machines and production processes." Technological changes and know-how help, too, according to the AFL-CIO, which, in response to its own question, "What gives rise to increasing productivity?" answers with the following:

> "It has been the expanded use of mass production methods and mechanical energy—water power, steam power, gasoline power, electricity—and the growth of a technically skilled labor force that have contributed to rises in productivity.
>
> "Inventions of new machines and new production methods are not the only source of rising productivity. Continuing improvements in productive efficiency depend,

[1] *Management Record*, August, 1953, p. 282.

as well, on frequent small changes in machines, production methods and work-flow that are constantly being made—often on the basis of workers' suggestions."

Unions, by diffusing the responsibility for increased productivity over the society as a whole, or funneling it to workers specifically, and away from management, reflect their concern that labor should get its share of increased productivity, no matter how efficient or inefficient a specific company may be. In fact, one union tells its negotiators not to "get drawn into an argument over who is responsible for increased productivity. It is a waste of time, since no such determination can be made. Anyhow, the only important thing to consider is the economic significance. . . . This gets to the important problem, which is the question of how to distribute the income in such a manner as to assure the fulfillment of the objective of full employment and the expanding economy necessary for full employment."

WHO SHOULD RECEIVE PRODUCTIVITY BENEFITS

To management, however, the answer to the question of who is responsible for increased productivity goes a long way toward determining who should receive the benefit from it. One company feels that since management efficiency is so important in causing increased productivity, "there is no more sound way to allocate the benefits of increased productivity to the groups concerned (employees, investors, customers) than through the lower prices resulting from the operation of a free market rather than solely through wage increases."

Table A: Use of Productivity Data in Collective Bargaining in 239 Companies

By Size of Company

Practice	Total U.S. and Canadian Companies	UNITED STATES COMPANIES: Total	By Number of Employees: 1-249	250-999	1,000-4,999	Over 5.000	Canadian Co.'s: Total
Use productivity data	61	52	8	13	17	14	9
Do not use productivity data	170	153	18	33	48	54	17
No answer	8	8	0	2	2	4	0
Total	239	213	26	48	67	72	26

Table B: Use of Productivity Data in Collective Bargaining in Thirty-eight Unions

Practice	Number of Unions	Membership in Unions (in thousands)
Use productivity data	31	7,343
Do not use productivity data	5	512
No answer	2	101
Total	38	7,956

A nationwide company gives its views concerning productivity increases. In a letter to its employees, it asks where the benefits should go from increases in productivity in a given machine. It states that "the first and smaller part of it has to go for a normal return on investment to the person responsible for the improvement." The letter continues, "If we paid it to the machine operator, we would be unfair to all his fellow employees in the plant who are continuing on old machines; it wouldn't work if it were tried. If we averaged it over the whole shop, we would be unfair to the workers in the neighboring shops, who would quickly demand and get equal pay for equal work—whether their employers had had any recent improvement in output per employee or not."

The company consequently argues that the benefits from productivity should be given to all the public through price reductions and states that "the important thing to remember is that productivity improvements benefit the public through working to reduce, by bits and pieces, here and there, whatever general price level exists at the time of each given improvement. Productivity increases are deflationary, and increase the value of money and of real wages—beginning at whatever level these are found at the time of any particular improvement."

Unions, in response to these arguments by management that increased productivity should mean lower prices rather than increased wages, reply that wages can be raised without increasing prices. And if they cannot, then wages still should rise anyway.

For example, Boris Shishkin, formerly research director for the AFL and now director of the AFL-CIO Civil Rights Committee, expressed labor's views at a meeting sponsored by The Conference Board. He stated:

> "You know the familiar figure of speech applied to increased productivity: the bigger pie with the three-way split—this piece goes to wages, this piece goes to prices, this piece goes to profits. Of course, the truth is that there isn't any pie! Not in a dynamic economy! You don't do things in a static way when you deal with growth. You don't divide any pieces. . . . The record of experience in the United States over an extended period of time . . . is simply this: In our economy, the growth of mass markets has been made possible by the translation of productivity gains primarily into wage income."[1]

An international union expresses similar views to its negotiators. It argues that labor should get wage increases in excess of national productivity increases. The reason for this is that in the national economy businessmen will only increase production when there is a demand for the items produced. Consequently, if workers are given money before productivity rises, the demand created by such income will cause a pressure that will result in increased productivity.

[1] *Management Record*, August 1953, p. 285.

Company Example 1: Performance Report of Production Workers for the Factory Payroll for Week Ending January 3, 1957

Departmental Efficiency—95.4%
No. of Workers 100% and over—163
No. of Workers 90% to 100%—139
No. of Workers Under 90%—156

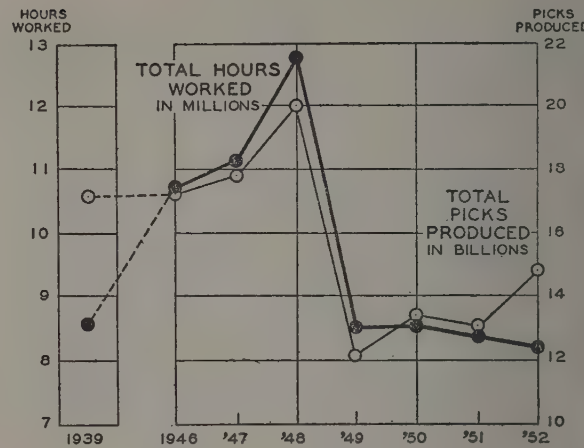
Clock Number	Name		Hrs. on Standard	% of Performance
		100% and over		
827	John Able		14.8	122.
83	Roslyn Baker		28.8	117.
642	David Carl		26.9	116.
101	Robert Doctor		31.8	114.
2	Richard Evans etc.	Night	24.0	114.
		90% to 100%		
109	Roger Rosen		30.8	99.
2408	Peter Piper etc.		27.2	98.
		Under 90%		
2063	John Jones	Night	16.0	62.
1482	Peter Smith etc.		25.4	50.

As a case in point, the union uses the 1920's when it claims productivity went up about 60% while wages rose less than 10%. "Profits skyrocketed, savings accumulated in the hands of the 10% of the families with the highest incomes. Goods also accumulated because those with the will to buy did not have the means. . . . Eventually production had to be cut." Negotiators are told by their union to ask employers this question: "Who, but the millions of workers and their families are going to buy the goods which business would like to sell?" Therefore, by demanding more wages, the union continues, "labor seems to be in a position of having to save businessmen from themselves insofar as economic policy is concerned" and, thereby prevent a repetition of the depression of the 1920's.

Another rationale for the union's demand for wage raises is that these increases create pressure upon management to further increase its productivity. William Gomberg, formerly head of the engineering department of the International Ladies' Garment Workers' Union, put it this way:

> "The general view is that somehow a bigger pie is produced and then, like good children, we all sit around and take our just shares. This is the public relations man's illusion of what happens. . . . But this isn't what happens.
>
> "What happens is this: labor walks up to management, and kicks management in the shins. Management looks indignant and gets very emotional and says, 'By God, I can't afford it.' The labor man says, 'Oh sure you can.' And this dialogue keeps up until management says, 'Gee, I've got to pay it. Now I've got to figure out how.' The engineers are called in. And some fellow comes up with a great big, 'Gee whiz, we got three men here. We can get rid of two of them by revising this or that process.'"

Company Example 2: Relationship Between Amount Produced in Company Z and Number of Hours Worked



To this, a management representative responded that unions are not the "main spur" to productivity; otherwise how could the productivity increases before 1935 have taken place? Other management representatives also express fear that wage increases in excess of increased productivity will only cause inflation.[1]

But whatever the rationale or the argument, unions clearly want a major share of increased productivity to go to labor in the form of increased wages. The dispute between management and a union on this issue may consequently resolve itself into the question of *how much*, if any, of the increased productivity should go to labor.

This in turn depends in part on how productivity is measured to begin with. Naturally, unions present data that show productivity in its "most favorable light" as far as they are concerned. And management tends to use productivity data to rebut the figures put forth by the union. In either case, the data used will deal with the productivity of the individual worker, the individual plant, the whole industry, or the nation.

THE INDIVIDUAL WORKER

The individual worker's productivity increases are taken care of under incentive systems. Consequently, data concerning productivity of an individual worker are put forward in collective bargaining on incentive jobs mainly when job rates are discussed. For example, a clothing concern reports that it prepares production data "as needed, showing the difference between the standards set by the time study depart-

[1] See *Management Record,* April 1957, p. 133; and *Management Record,* August, 1957, *passim.*

ment and the actual results achieved." Other companies use such data only in connection with the union's demands to increase a specified job rate. A sample of the kind of records often kept is given in Example 1. Here, a Michigan company keeps a performance record of each production worker in terms of the number of hours each worker produces above or below standard.

BY PLANT OR INDUSTRY

Figures concerning productivity within the plant or industry are frequently brought forth on both sides of the bargaining table as an argument for or against a wage increase. One trade association, for example, reports that it uses such data "as a means of convincing the union that low earnings stem from low employee productivity rather than from shortcomings attributable to management."

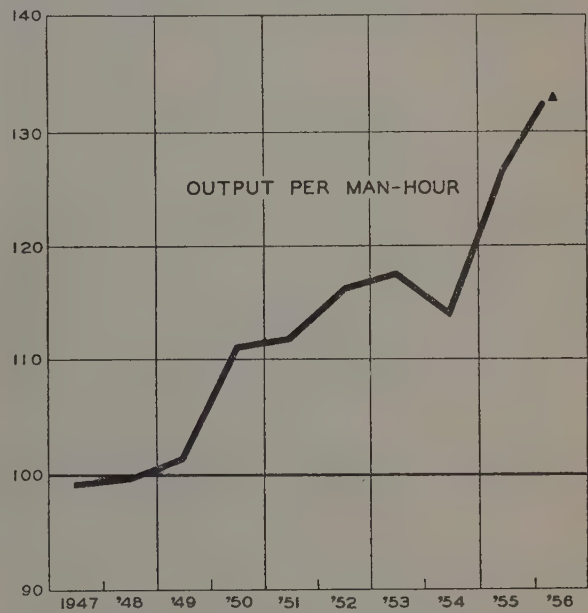
A textile concern used Example 2 "very effectively in bargaining on work loads and machine assignments." This chart indicates that productivity prior to World War II had averaged approximately 2,000 picks per hour worked. During and right after the war, productivity fell to approximately 1,600 picks per hour. In 1952 it rose to 1,750 picks per hour but was still below the prewar level. In that year the company used this chart to convince the union that productivity was not as high as it should be and that production methods needed to be changed. As a result of agreed-upon changes, within two years, productivity had risen to prewar levels. This, the company asserted, "partially offset" the 202% increase in wages that took place during the same period of 1939-1954.

Union Arguments

Unions also have their say on this issue. For example, in a recent negotiation, a large union demanded a wage increase. As one justification for its demand the union pointed out that the productivity of each worker in the industry "had multiplied by leaps and bounds in recent years." The union argued it had no objection to the theory that over long periods of time, wage gains and rising living standards must come from increased productivity. But, it added, labor as well as management and investors must get a "fair and equitable" share of the increase at the beginning of

Union Example 4: Productivity in Industry X

1947-1949 = 100



▲ Based on projection of preliminary first-quarter data

Union Example 3: Productivity Indexes in Industry X

1947-1949 = 100

Year	Index of Weighted Production	Index of Production Workers	Index of Man-hours	Index of Output per Production Worker	Index of Output per Man-hour	Unit Labor Requirements: Index of Production Workers Per Unit	Unit Labor Requirements: Index of Man-hours Per Unit
1956[a]	154.7	111.0	116.6	139.4	132.7	71.8	75.4
1955	141.3	106.8	111.4	132.3	126.8	75.6	78.8
1954	107.0	96.5	93.9	110.9	114.0	90.2	87.8
1953	133.4	109.6	114.0	121.7	117.0	82.2	85.5
1952	113.4	95.3	97.8	119.0	116.0	84.0	86.2
1951	128.5	109.7	115.2	117.1	111.5	85.4	89.6
1950	118.4	104.4	106.9	113.4	110.8	88.2	90.3
1949	93.3	93.4	91.8	99.9	101.6	100.1	98.4
1948	106.0	105.2	106.6	100.8	99.4	99.2	100.6
1947	100.7	101.4	101.5	99.3	99.2	100.7	100.8
1942-1946	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1941	95.5	108.6	110.6	87.9	86.3	113.7	115.8
1940	73.3	94.8	90.0	77.3	81.4	129.3	122.8
1939	59.0	82.9	75.1	71.2	78.6	140.5	127.3

[a] Based on projections of preliminary first quarter data.
n.a. Not available because certain wartime production and man-hour figures cannot be segregated to exclude the portion devoted to munitions manufacture.

Union Example 5: Productivity Changes in Industry X

On a Year-to-Year Basis

Year	Per Cent Change over Prior Year in Output per: Production Worker	Man-hour	Per Cent Change over Prior Year in Unit Labor Requirements: Production Workers Per Unit	Man-hours Per Unit
1956[a]	5.4%	4.7%	− 5.0%	− 4.3%
1955	19.3%	11.2%	−16.2%	−10.3%
1954	−8.9%	−2.6%	+ 9.7%	+ 2.7%
1953	2.3%	0.9%	− 2.1%	− 0.8%
1952	1.6%	4.0%	− 1.6%	− 3.8%
1951	3.3%	0.6%	− 3.2%	− 0.8%
1950	13.5%	9.1%	−11.9%	− 8.2%
1949	−0.9%	2.2%	+ 0.9%	− 2.2%
1948	1.5%	0.2%	− 1.5%	− 0.2%
1947 (re 1941)	13.0%	14.9%	−11.4%	−13.0%
1942-1946	n.a.	n.a.	n.a.	n.a.
1941	13.7%	6.0%	−12.1%	− 5.7%
1940	8.6%	3.6%	− 8.0%	− 3.5%

[a] Based on projections of preliminary 1st quarter data.
n.a. Not available.

any period of computation of productivity change. The union negotiators then charged that "there is no such equitable sharing in this industry today." As a result, they claimed that the industry owed its employees a substantial wage increase even if no increase in productivity had taken place.

But the union negotiators stated that this whole question was really academic because there had been a consistent increase in productivity. As proof of this, they offered the data presented in Examples 3 and 4.

They said productivity had risen by 167% in twenty years, or approximately 5% per year compounded annually over a period including the depression of 1929. Since 1939, the union representatives said, individual workers have continually produced more for each hour worked. In the first quarter of 1956, the worker produced nearly 70% more than he had in 1939. Thus, in spite of ups and downs, they argued that the worker's average output per man-hour had risen at a rate of 3.2% compounded annually over a period of more than sixteen years.

Moreover, as shown in Example 5, the union negotiators claimed that there had been a sharp acceleration of productivity during recent years, with 1956 showing an annual rate 4.7% higher than in 1955, while 1955 was 11.2% over 1954. Consequently, they demanded a wage increase.

To this union demand, management spokesmen responded that comparisons between wages and productivity should be made "with considerable caution." The comparisons should cover a long period of time and should be between national productivity figures and total employment costs, not only wages. Also, productivity figures and employment costs should include data on salaried as well as hourly rated employees. The management spokesmen further argued against the use of the industry's productivity figures to determine wage rates because they claimed if wages were geared to an individual company or to an individual plant, there would soon be a "completely irrational wage structure."

Consequently, the industry representatives used the data in Example 6 to show that the industry's real wages had increased at a more rapid rate than national productivity. And to answer the union's claim about the increase in the industry's productivity, management compared the industry's productivity with its employment costs. They showed that productivity had increased about one-third from 1940 to 1955, while employment costs had tripled over the same period. (See Example 7.)

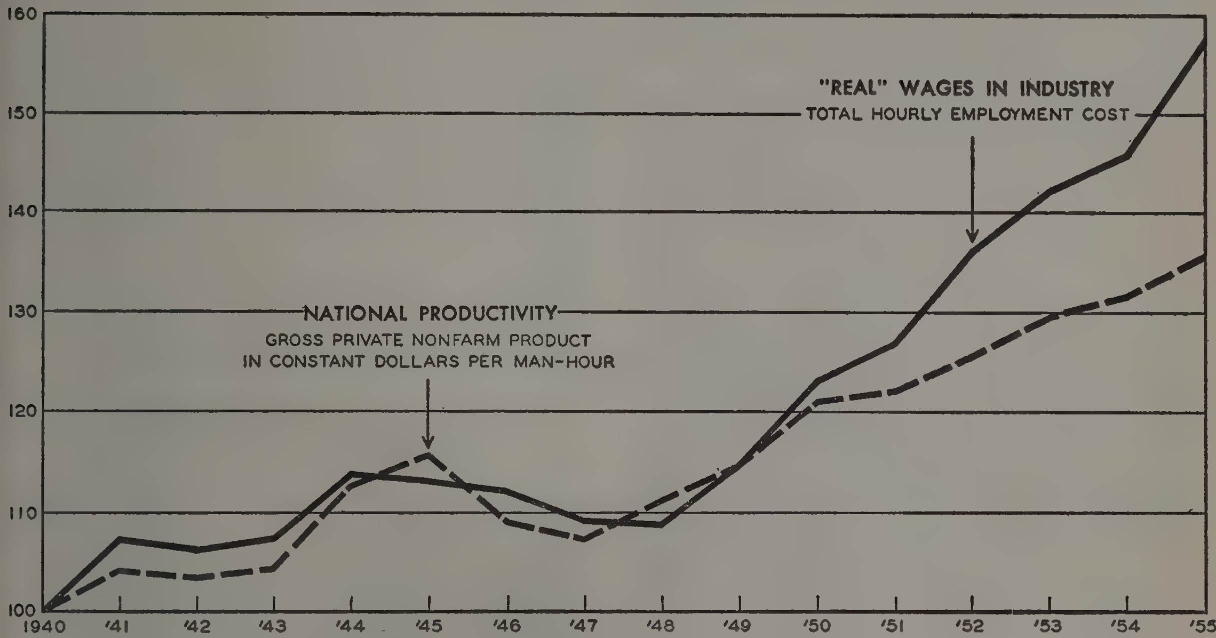
NATIONWIDE PRODUCTIVITY

The influence of national productivity figures on collective bargaining received a tremendous impetus from the General Motors agreement in 1948. In that settlement, the United Automobile Workers and GM agreed that workers should share in the nation's increased productivity. It was agreed that hourly wages would automatically be raised by 3 cents—the equivalent of 2%—each year; and this was known as the "annual improvement factor." This was later raised to 4 cents and then to 5 cents—the equivalent of 2.5%—in the 1950 UAW-GM five-year contract. In the 1955 agreement, the annual improvement factor was changed again, this time to 3%—with a 6-cent minimum.

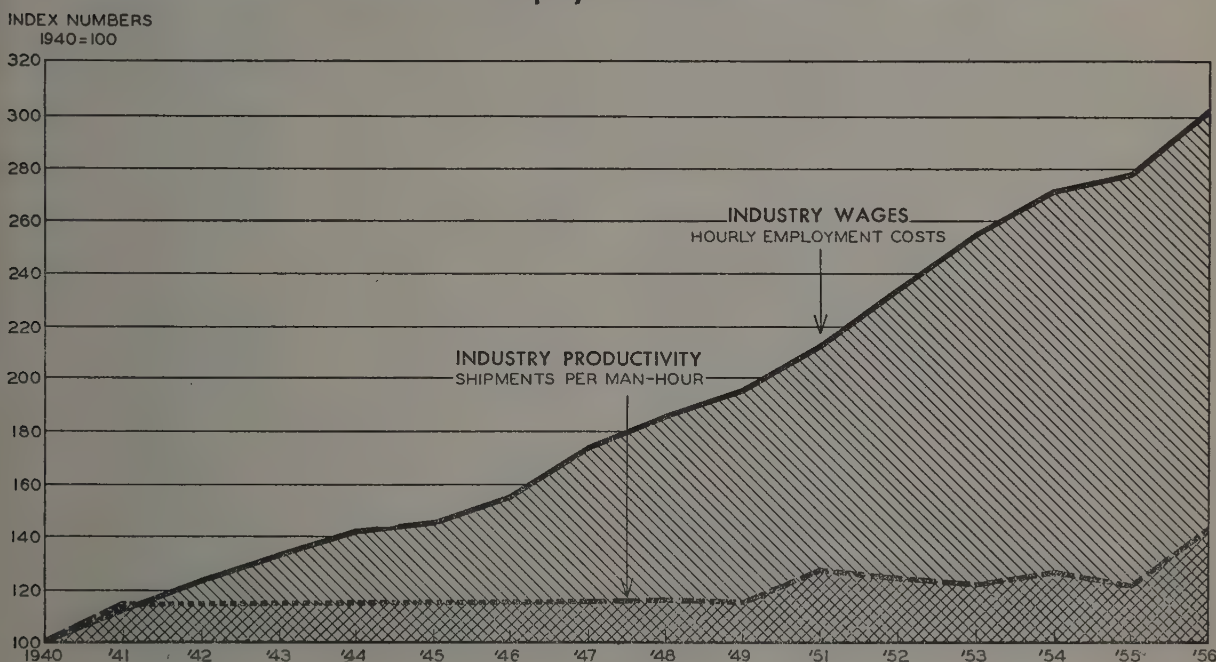
Since the initial GM contract, the productivity issue has been raised frequently during negotiations between other companies and unions—but not without objections. One industrial relations executive, for example, charges that an improvement factor "is a prostitution of the fundamental concept of productivity" in that national productivity figures have no true

Company Example 6: Comparison of X Industry's Wages with National Productivity Figures

Index Numbers: 1940 = 100



Company Example 7: Comparison of Industry X's Shipments per Man-hour and Hourly Employment Costs



relationship to the specific company that is doing the bargaining. Moreover, productivity rises and falls over a period of time. Consequently, no company can project future productivity gains. "To negotiate a productivity increment every year would . . . be a bargaining table travesty."[1]

Other industrial relations executives, speaking for their companies, have accepted the concept of annual improvement but have fought the union on the amount of the yearly increment. For example, one union demanded an increase in the 2.5% annual improvement factor contained in its contract since it claimed that productivity in the economy as a whole had increased more than 2.5% a year.

The company challenged this claim. Using data prepared by the Joint Committee on the Economic Report, the company showed how increases vary depending upon the base period used (see Example 8). It protested against the union's demand for more than 2.5% since the long-term average increase in productivity amounted to only 2.1%. The company further argued that if the union was referring to the 3.1% increase since the depths of the depression, this would "obviously be abnormally and artificially high and certainly could not be considered typical of the economy."

If, on the other hand, the union was referring to productivity gains for specific postwar years through 1953 that were above 2.5%, the company replied that the use of such rates is incorrect. Since short-term trends cannot be considered typical, the long-term average is the best measure of productivity. However, "if the union insists on using short-term trends, then reference should be made to the individual year-to-year productivity rate for the postwar period," as shown in Example 9. Example 9 demonstrates, according to the company, that productivity actually dropped during the early postwar years. The year-to-year variance has ranged from a *plus* 7.5% to a *minus* 4.2%.

The company noted that under the union's theory of using short-term productivity trends, wages should be cut when productivity drops. Furthermore, for the entire postwar period, 1945-1955, the annual average increase in the productivity rate was 2.1%, which is identical to the long-term increase for the period 1910-1953. This, according to the company, was further proof that the union's demand for more than a 2.5% improvement factor was unfair.

The Union View

A union, on the other hand, argued that wage gains equal to productivity increases for the whole economy "constitute an absolute minimum for workers." It pointed out that, according to the Federal Reserve Board, productivity has increased in our economy about 4% per year ever since World War II. And since 1949, the increase averaged 4.2%. (See Example 10.) The union further claimed that since 1949 the average increase in "real" net spendable earnings (purchasing power) for manufacturing workers had been 2.5% per year as compared with the 4.2% yearly increase in productivity in the whole economy. The union contended that in reference to its own members, net spendable income had increased at the rate of 2.1% per year since World War II (as well as since 1949) as compared with the 4% per year increase in productivity in the general economy since World War II and the 4.2% figure per year since 1949.

[1]*Management Record,* August, 1953, p. 308.

Company Example 8: Productivity Increases for the Nation as a Whole, over Specified Periods

Period	Change In National Productivity
1910-1953	2.1%
1933-1953	3.1%
1939-1953	2.7%
1945-1953	2.1%
1946-1953	3.0%
1947-1953	3.7%
1948-1953	3.5%
1949-1953	3.5%
1950-1953	2.2%
1951-1953	3.1%
1952-1953	3.4%
1953-1965[a]	2.7%

[a] Estimated by staff, Joint Committee on the Economic Report.

Company Example 9: Yearly Changes in Productivity for the Nation as a Whole

Period	Change in National Productivity
1945-1946	−4.2%
1946-1947	−1.2%
1947-1948	4.8%
1948-1949	3.4%
1949-1950	7.5%
1950-1951	.4%
1951-1952	2.8%
1952-1953	3.4%
1945-1953 Average	2.1%

Union Example 10: Productivity in the U. S. Economy

Year	Gross National Product per Man-hour	Productivity Index
1949	$3.394	100.0
1950	$3.705	109.1
1951	$3.617	106.6
1952	$3.712	109.4
1953	$3.862	113.8
1954	$4.037	118.9
1955 (estimate)	$4.263	125.6
		4.26 per year

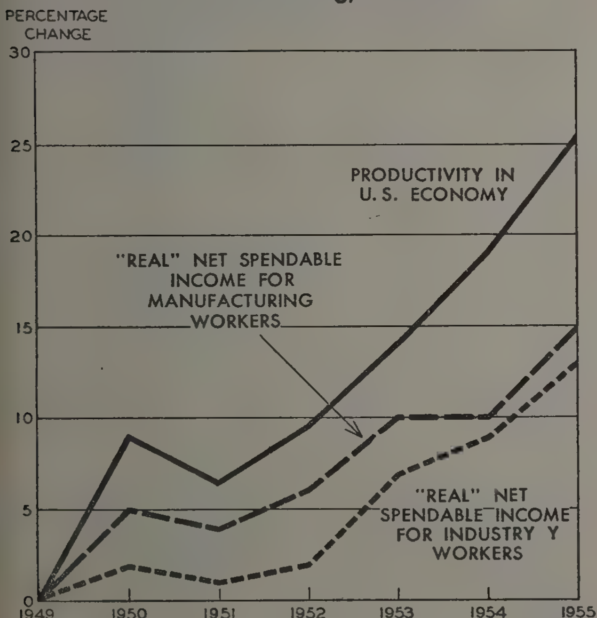
In briefing its negotiators before contract negotiations the union had a chart prepared (see Example 11) showing the gains in productivity in the United States economy compared to the earnings of the union's workers in industry Y and the earnings in all manufacturing, from 1949 to 1955. The union pointed out that its workers had not only lagged behind in general productivity increases but they have also lagged behind other workers' net wage earnings. It consequently urged its negotiators to strive for wage increases.

SUMMING IT UP

As the examples demonstrate, statistics concerning productivity can be used by protagonists on either side of the bargaining table. However, both unions and companies might agree with Professor John Dunlop when he stated:

> "Productivity in America is in part a slogan. . . . It is a good slogan. . . . I think it is a better slogan, for example, than saying that wages ought to be fixed on a subsistence level, which was a wage doctrine widely accepted at one time. . . . Productivity is a good slogan for management. As the idea becomes widely accepted throughout the community, management is in a position to say people's wages should be increased when they produce more. Productivity is a good slogan for unions. It helps keep their eye on the market position of the company and upon the effects of working rules on output and costs. Productivity is also a good slogan for the members. It helps to keep before the rank and file of American workers the notion that there must be some relationship between what they get and what they produce. That is the very essence of the notion of productivity."[1]

Union Example 11: Gains in Productivity in the United States Economy Compared to Earnings of Workers in Industry Y and Earnings in all Manufacturing, 1949-1955



JAMES J. BAMBRICK, JR.
ALBERT A. BLUM
Division of Personnel Administration

[1]*Management Record*, August, 1953, p. 284.

Personnel Briefs

New Bank Accounts for Children of Employees

To encourage thrift on the part of children of employees, the Thermoid Company, of Trenton, New Jersey, opens bank accounts for children who are being graduated from grammar school or junior or senior high school. Employees' children who are graduated from grammar or junior high school are credited with $5 deposits. High school graduates receive twice that amount.

Going-Away Presents for Retirees

At retirement, employees of the Central Illinois Light Company, Peoria, Illinois, henceforth will receive billfolds from the company, under a plan recently announced. The leather billfold is engraved with the name of the retired employee and is accompanied by a specially printed identification card enclosed in plastic. On the face of the card are the name of the employee, his length of service (in years and months), the name of the company, and the signature of the company's president. On the back are details of the recipient's service record.

Even New Workers Are Experienced

A busy executive attempting to make a plane reservation is apt to become annoyed if he finds he is dealing with an inexperienced clerk. To avoid this possibility, TWA's reservation clerks, called sales agents, are trained in all phases of their work before being allowed to deal directly with the public. They are expected to know all the answers prior to starting their "real" jobs.

Their first real assignment is in telephone sales, and at the beginning they alternate with experienced agents in taking calls. After each call handled by the new employee, the experienced agent offers constructive criticisms. At the end of three or four days, the new agent is on his own, but a training specialist spot checks his calls from time to time. Even this does not mark the end of the agent's job induction. He is given additional training and supervision as long as he remains on the job.

Company Trains for Personnel Work

General Electric decided that it needed special employee relations development training to ensure a proper staffing of its personnel departments

DURING the business upsurge of the past fifteen years there has been an increasing awareness of the importance of the personnel function. This has meant expanding the work of personnel departments and adding to personnel staffs. But it has not always been possible for companies to find qualified workers.

Most personnel workers today are self-trained. That is, they became personnel workers and they learned their jobs after a period of employment in other departments.

Few undergraduate colleges give more than a brief introduction to the broad field of personnel administration. Only one college in fifty offers "career training" in industrial and labor relations. The situation is somewhat better at the graduate level, but few students are able to continue their education beyond college, and only a fraction of these take degrees in personnel administration.

Furthermore, few companies are willing to place new graduates, however well trained by the schools, in charge of any of the major personnel functions. They want seasoned workers who know what business is all about and who have demonstrated an ability to work effectively with others.

NEW APPROACH NEEDED

A few years ago, the General Electric Company came to the conclusion that a new approach was needed for filling its future needs for personnel workers. It felt it no longer could borrow workers from other departments or other companies, and it concluded that a college education was not in itself sufficient preparation. Therefore, General Electric turned from the usual sources for obtaining personnel workers and set out to train its own.

With a total of 252,000 employees at more than 100 locations in the United States,[1] it can be guessed that General Electric requires a substantial number of workers to carry on the personnel function. Almost 1,700 are now employed.[2] Assuming a turnover of only 5%, eighty-five new workers would be needed each year just to make replacements. And few of General Electric's executives believe the company has yet attained its full growth.

Much attention is given to the development of people at General Electric. Four major concepts are followed:

- *Self-development*—the initiative at all times must come from the individual since no one can force him to develop.
- *Climate for growth*—this is a function of the company, especially of each local manager. It is up to the leader to "set the tone" and to show the way.
- *Manpower planning*—this, too, is up to each manager. He must learn to plan ahead in order to ascertain how many and what kind of people he will need and how they should be trained.
- *Increased education*—the company believes in offering more educational opportunities within the company, and it also helps support outside facilities.

General Electric has been recruiting and training college graduates for over forty years. When a specific training plan for the company's many Employee and Community Relations divisions (known as E & CR)[1] was contemplated, GE decided that the plan should be an integral part of its well-established program for training college men. The personnel function is highly regarded within the organization, and the new training setup was quickly accorded the same status enjoyed by the others.

A booklet entitled "Growth with General Electric: an Introduction to the Company and its Programs for College Graduates" lists and describes ten separate training programs. They are in the following areas: engineering, chemical and metallurgical, physics, nuclear energy, manufacturing, apparatus sales, advertising and public relations, financial, and marketing. The course for personnel workers is called the Employee Relations Development Program.

[1] World-wide, General Electric's payroll approaches 300,000.

[2] This is the number of professional workers in Employee and Community Relations. Secretaries and other office workers, cafeteria employees, etc., who may also be members of the personnel department, are not included in this count.

[1] Although the term "personnel" is used sometimes for convenience in the text, General Electric uses a longer name in referring to this function—Employee and Community Relations. Included in E & CR are the subfunctions of salary administration, wage administration, employee benefits, education and training, personnel practices, health and safety, communications, community relations, and union relations.

More than 15,000 young men have been graduated from these ten courses. A large majority are still on the General Electric payroll. And many occupy high executive positions.

The training given the college recruit may last as long as three years, and it ordinarily is one year or longer. The Employee Relations Development Program (ERDP) began as a twenty-seven month course but has been extended to thirty months.

As many as sixty colleges and graduate schools may be canvassed for recruits. Students with graduate degrees are given some preference. The company is constantly on the lookout for persons who think clearly, who speak well, and who can communicate effectively with others. General Electric has a clear picture of the candidate desired. (The full specifications are shown in the accompanying box.)

The more than 100 local General Electric plant managers of E & CR are ERDP's "customers," and it is their needs that this training program must meet. When a student completes his course he is hired by one of the company's operating departments and becomes a member of an E & CR manager's team.

Each manager is asked to project his need for technical-professional personnel three, five, and ten years ahead. It is from these forecasts that quotas for the different training groups are established. The director of ERDP must plan two and one-half years ahead since that is the length of his training course. So far, he reports, all of his students have been offered jobs immediately upon graduation.

ERDP is definitely on-the-job training; most of it is obtained in the field. Practical experience under supervision is supplemented with integrated class

Specifications for Employee and Plant Community Relations Candidates

- Age: 22-28
- *Earnest Interest in Employee and Plant Community Relations Work.*

  This should be more than merely an expressed desire to "work with people." For example: courses (or experience) in industrial management, labor relations, personnel administration, psychology and the like would be evidences of this interest.
- *Interest in, and Liking for, Shop Operations.*

  Previous shop experience is desirable, but not required. Perhaps a man has tinkered with his car, or repaired farm machinery, or worked on a construction gang—these are positive signs.
- *Ability to Get Along with Many Kinds of People.*

  This means showing by statements or actions that he feels comfortable with those who have had little formal education. At the other extreme, he can handle himself well in the presence of top management. By-products of this are:

  1. Open-minded attitudes; not rigid about own ideas; not self-righteous.
  2. Naturalness in courtesy; considerate, as distinguished from conventional politeness.
  3. Evidences of emotional stability; not erratic in motion or speech.
  4. Alertness; unobtrusive enthusiasm; keen sense of humor; tendency to listen and reserve judgment.
- *Evidences of High Intelligence and Leadership.*

  The ability to attain good grades and still participate in extra-curricular activities; holding office in fraternities, societies; or managing or making a team; scholastic achievements which reflect thinking ability rather than mere absorption of facts.
- *Awareness of Economic, Political and Social Forces.*

  This means he talks of these forces and their interrelationship not as if he were reciting from a book, but in terms of current events. He also realizes that organizations vary in their thinking and performance, and that perfect forms have not yet been created.
- *Public Speaking Experience.*

  Here earnestness of manner should be rated more important than transparent platform self-assurance; conciseness and directness of expression are what we seek.
- *Better than Average Writing Facility.*

  Simplicity of style with a literary flair.
- *High Aspirations Tempered by Patient Understanding.*

  For example—ambitious to progress, yet understanding that growth and development are a product of many factors and that progress does not necessarily mean rapid advancement.

work. Real jobs—not made work, play work, or mere observation—are assigned, and the student is expected to show results. He is given full opportunity to demonstrate initiative, ability, and potential for more responsible work.

The thirty-month training period is arranged as follows:

Assignment	*Number of Months*
Marketing	3
Engineering	3
Finance	3
Basic machine operation (apprentice shop)	3
Manufacturing methods, operation planning and time standards	6
Production, ordering, and purchasing	3
Scheduling and dispatching	3
Employee relations	6

It will be noted that the ERDP student spends only the final six months of his training in employee relations work. Why is this so? Why should he be assigned to other departments for a total period of twenty-four months—or 80% of his training?

General Electric has a ready answer to such questions. The company points out that a personnel worker can accomplish his objectives only as he learns to work with others and to gain their willing cooperation. This means understanding how engineers, for example, think about things. And this, to General Electric, means working with engineers, getting their viewpoint, and helping them with their problems.

Thus the ERDP trainee spends three months in engineering. There is no thought that he will learn engineering in this time. But he will do work similar to that being done by the engineers and technicians. He will work side by side with them, gaining insight into their problems. Then, later on when serving in Employee and Community Relations, he will be able to deal more effectively with engineers.

The daytime work projects are supplemented by evening courses that are offered the trainee. These classes meet semiweekly and last ten months. While attendance at the evening courses is voluntary, absences are rare. In addition, ERDP provides three seminars during the thirty-month period.

In all courses the case study approach is used. Each trainee is expected to prepare and present his own case material and to lead a discussion based on it. Since the seminar group often includes General Electric executives and guest professors interested in problems of industrial relations, these assignments are not undertaken lightly.

Tangible support for the program has come from the E & CR managers. The trainee's salary is charged against the budget of the particular plant to which he is assigned for his field work. And the manager who hires an ERDP graduate assumes the full salary costs, of course, as he would in the case of any employee.

General Electric feels it is still too early to appraise ERDP. The program was started only five years ago and only fifty-nine students have been graduated to date.[1] But the older training programs have proved themselves, and the company sees no reason why ERDP should not be equally successful.

Specifically, ERDP seems to be fulfilling its purpose of orienting able young college graduates to General Electric and to General Electric's way of doing business. Above all else, the company wants its future managers and executives to "do right voluntarily," and this philosophy is taught and practiced through the training.

STEPHEN HABBE
Division of Personnel Administration

[1]Currently there are 147 trainees taking the program. Of these, twenty-five will complete their training before the end of 1957.

Management Bookshelf

Proceedings on the Conference on Constructive Industrial Relations—The proceedings of a one-day round table session sponsored by the department of economics and the college of law of the University of Notre Dame in cooperation with the American Arbitration Association. The subjects—"What's Ahead in Collective Bargaining," "Arbitration of Discharge and Disciplinary Cases," and "Some Recent Decisions of the National Labor Relations Board" —are discussed by individual speakers with both management and labor represented. *Edited by Rev. Mark J. Fitzgerald, C.S.C. and John J. Broderick, Department of Economics, University of Notre Dame, South Bend, Indiana, 1956, 88 pp. $1.25.*

Basic Psychology—This book, subtitled "A Study of the Modern Healthy Mind," is addressed to the general reader who wants to know what psychology is all about. A wide variety of topics are included, but none is treated at length. The writing is largely nontechnical. The author is the administrative director of the Smithsonian Institution in Washington. *By Leonard Carmichael, Random House, New York, New York, 1957, 340 pp., $3.95.*

Guide for the Orientation of Newly Employed Occupational Health Nurses—Prepared by the Minnesota Occupational Health Nurses at the Center for Continuation Study at the University of Minnesota, this manual contains information based on the personal experiences of Minnesota's occupational health nurses. It covers subjects such as nurse-foreman cooperation, the nurse's part in the orientation of the new employee, plant inspection, home visiting, absenteeism, health education, legal aspects of occupational health nursing, and how to prepare a nurse's procedure manual. *National League for Nursing, Council on Occupational Nursing, New York, New York, 1956, 42 pp., $1.*

Trends in Labor Relations

To Record or Not To Record

DOES THE recording of what is said in negotiation sessions help or hinder collective bargaining? Some feel that putting in writing what was said while reaching agreement will help to clarify any later disputes over the meaning of a particular clause. Others feel that verbatim reporting inhibits both management and union officials from speaking freely during bargaining sessions.

A Conference Board survey of 239 United States and Canadian companies shows that in only twenty-four firms are verbatim notes taken during bargaining sessions. And in eleven of these companies, executives add a qualification: they say that they use recording machines or verbatim stenographic transcripts primarily in the final phases of negotiation when they deem it necessary to have exact, accurate reporting.

"Goldfish-Bowl" Bargaining

The firms that consistently use tape recordings or stenographic verbatim reporting in bargaining generally have a long bargaining history. For example, the Pacific Coast Association of Pulp and Paper Manufacturers for years has conducted collective bargaining sessions in what it calls the "goldfish bowl." Foremen, supervisors and other representatives of management sit in during negotiations as observers. The union likewise has many of its shop stewards sit in as observers. Everything that is done at these bargaining sessions is conducted out in the open for all to see.

As part and parcel of this system, what is said in negotiations is taken down verbatim by a stenographer. This stenographic transcript then becomes part of the agreement. And if a dispute later arises over contract interpretation and it goes to arbitration, the contract specifies that the full transcript must also go to the arbitrator for his consideration.

In addition, the parties use excerpts from the stenographic transcripts to explain to supervisors, shop stewards and workers what was the original intent of particular clauses. These excerpts are set forth in a separate section of the contract booklet, under the heading "Statements of Policy." (An example on the next page shows an excerpt of a stenographic transcript that formed the basis of such a statement of policy.)

As already pointed out, very few firms endorse the use of verbatim notes at bargaining sessions. In fact, the majority of company executives not only do not use stenographers or recording machines during negotiations, but they are strongly opposed to their use. They say it inhibits both parties from speaking frankly and extemporaneously. One paper manufacturer, for example, claims that taking down every word that is said "destroys the effectiveness of collective bargaining by creating a strained relationship between both parties."

What Happened in One Case

In one case a union suggested that a tape recorder be used during negotiations so the union officials might play back the recordings at a union meeting. The company agreed to the experiment. It found, however, that the bargaining sessions for the first several days consisted of nothing but speech making by every person on the union committee. And some of these speeches went far afield of the real issues being discussed in the bargaining sessions. The union committeemen felt that since everything they said was being recorded and would be played back at a union

Use of Verbatim Transcripts of Negotiations in 239 Companies

	Total U. S. and Canadian Companies		United States Companies					Canadian Companies
				Number of Employees				
	Number	Per Cent	Total	1-249	250-999	1,000-4,999	Over 5,000	Total
Total	239	100.0	213	26	48	67	72	26
Make verbatim stenographic or tape transcripts	24	10.0	21	1	4	8	8	3
Do not make verbatim transcripts	198	82.9	175	25	37	51	62	23
No answer	17	7.1	17	0	7	8	2	0

meeting, they should try to appear before the membership in a good light.

The company executives say they felt that they were engaging in a useless debate that they could never win because the recordings would be edited and played back at a union meeting where the company spokesmen would not even be present. An official of the company states that the "use of the recordings actually prolonged negotiations by several weeks, and the only time we really got down to bargaining is when we finally agreed to turn off the recording machine."

JAMES J. BAMBRICK, JR.
ERLINDA MARTINEZ
Division of Personnel Administration

Excerpt from Stenographic Transcript of Negotiations of the Pacific Coast Association of Pulp and Paper Manufacturers

This excerpt covers a discussion of what constitutes adequate notice to an employee that he should come in and do work not regularly scheduled.

SECTION 13—CALL TIME

(b) What Constitutes Notice or Notification (1944)

Union Representative:

"For a matter of the record we'd like on this side of the table to get a statement of policy on what constitutes notice if you please."

Employer Representative:

"What constitutes notice?"

Union Representative:

"That's right; it was brought out last night. There was some discussion on that, as a result of the feeling that there was some laxness in the manner in which notice was given. Apparently in some plants notice is posted on the bulletin board, and maybe it is seen by the employee and maybe it isn't. And I don't know how many different forms are used in giving notice."

Employer Representative:

"We, as the employer delegates, certainly subscribe to the fact that the employee involved had a right to get that notice by some effective means. Now how that can be done, I don't think we could say as a committee. In many cases it might be sufficient to simply put it on a bulletin board. But every effort should be made to notify the employee himself about the work, that he was to come in and do what is not regularly scheduled. It might be done by notice in a department, or, in addition to that, probably should be done by notice from the foreman to the man himself. At any rate, we should see to it in every plant that the notice reaches the worker involved."

Winter Vacations

WINTER RESORTS are not alone in pointing out the attractiveness of a winter holiday. Some companies, too, are beginning to tout the virtues of an off-season vacation. For as the amount of paid vacation available to employees increases, more scheduling problems, more replacement problems, more interferences with production inevitably develop—if the employees use up all their vacation time in one lump and in only one season of the year.

So far the pinch has not been felt by most companies; three out of five firms in a recent Conference Board survey[1] report the average employee's vacation is still two weeks. But in about 5% of the 301 cooperating companies, the average vacation is three weeks.

Most employees take their vacations in July or August. But companies are adopting several devices to encourage their workers to spread their vacations over the other ten months of the year:

- A growing number of companies (about half of those participating in THE CONFERENCE BOARD study) are setting a year-round vacation season rather than restricting the period during which vacations may be taken to the summer months. This idea makes it possible for employees to take winter vacations; and some companies even encourage this. One company recently considered offering added days of vacation *provided* they were taken in winter.

- A majority of companies in the survey permit split vacations—in most cases the vacation can be split into one-week intervals. Again, this device is a permissive one and allows rather than requires the employee to take a portion of his vacation at some time other than the summer.

- Only a few companies—very few—in the survey, have a device that requires employees to take the third or fourth week of vacation at some other time. Two mechanisms are used: a few companies that shut down for vacations require employees eligible for more than two weeks to take their additional time during winter; also, a few companies specifically state that employees with long service are eligible for three or four weeks—two weeks in summer, the rest in winter.

H.S.

[1] See "Time Off with Pay," *Studies in Personnel Policy*, No. 156.

Labor Press Highlights

AFL-CIO Charges Inertia on State Labor Legislation

DURING the past twenty years, the majority of states have done practically nothing to improve their labor laws, charges the AFL-CIO in *Labor's Economic Review*. It argues that since 20 million workers are not covered by federal minimum wage legislation, the states should accept "their responsibility for setting minimum standards in local industries." But, the AFL-CIO continues, in view of the lack of state action up to now in providing adequate legislation, the Federal Government should "take the initiative to expand federal coverage, whenever possible, of nonlocal industries such as interstate retail, hotel and restaurant chains."

According to AFL-CIO analysts "only four jurisdictions provide minimums for all employees equal to or above the federal minimum of $1 an hour (Alaska, Connecticut, Rhode Island, and Hawaii—effective in 1958)." Of the remaining states, the analysts claim that twenty-two have no minimum wage laws; two have minimums of 25 cents an hour or less; fifteen have minimums below 75 cents for retail, laundry, hotel and restaurant workers. Nine have minimums of 75 cents to $1 for most workers, but not all.

The AFL-CIO is also critical of how the states handle child-labor laws, particularly as they apply to agricultural employment. It charges that "all but six states deny children any legislative protection for agricultural work done outside school hours."

State legislative action on modernizing workmen's compensation laws during the past year has also been "extremely disappointing," says *The Machinist*. "Forty years ago," it says, "an injured worker and his family received one-half to two-thirds of his wage loss. Today, there is hardly a state where compensation repays more than one-third of wages lost." As a result, the AFL-CIO executive council has announced a drive for the following injured-worker benefits: "Medical care as long as needed to relieve the disability, and cash benefits adequate to provide the minimum standards of healthful living."

"Snob Appeal" Used To Block White Collar Unionization

John W. Livingston, director of organization for the AFL-CIO, charges that management has been hiring professionals to study how to prevent unionization of the white collar worker, reports *The AFL-CIO News*. Mr. Livingston states that these professionals have advised management to stress the prestige factor and "play up the professional angle . . . in a frank, cynical snob-appeal campaign." However, the AFL-CIO director of organization thinks that this approach will only delay organization of these workers, not prevent it, because white collar workers "are learning that in today's complex business and industrial world, organization is the indispensable ingredient for success."

Mr. Livingston warns, however, in *Labor's Daily*, that up to now only 5% of the general office workers in the white collar field have been organized while the number of white collar workers is steadily increasing.

Despite the interest in white collar unionization, a dispute still continues within the labor movement over who should organize these workers. *The White Collar*, official journal of the Office Employees' International Union, comments that, although many former CIO industrial unions and AFL manual unions have called for organization of white collar workers into their unions, "it is our experience that white collar workers want representation by a white collar workers' union. . . . The Office Employees' International Union is the only union chartered by the AFL-CIO for the purpose of exclusive representation of office and clerical workers."

Rising Cost of Living and Fringes

The steady upward drive of the consumer price index has forced unions to consider adding "cost of living" features to pension plans, states Al Whitehouse, director of the AFL-CIO Industrial Union Department. *Labor's Daily* reports that Mr. Whitehouse, speaking before the IUD's conference on pension programs, also noted that some unions are striving to make bargaining gains applicable to already retired workers.

At this same meeting, a representative of the AFL-CIO's Social Security department stated that vesting "is the most important step forward in the pension field since the inception of these plans." He also reported that since the first pension plans were established, they have been gradually changing so that today there is "less dependence upon Social Security payments as a part of the pension packet; an easing of eligibility restrictions—for example, now even

short-service employees can receive some form of pension; and a liberalization of payments for total and permanent disability."

Packinghouse Workers Help Employer

For the second time in six years, members of Detroit Local 190 of the Packinghouse Workers have voluntarily agreed to give their employer financial assistance. According to *The CWA News,* the 320 members of the local will loan the company 10% of their earnings, or approximately $900,000, over a five-year period. With this money, the company will modernize its facilities and attempt to make the company competitive. When the five years are up, the money will be returned with 6% interest, provided the firm doubles its sales. Or if, at that time, the employee fund is less than the workers' investment, the money will be divided proportionally among them. In 1951, these same union members worked for three weeks without wages in order to keep the firm from going bankrupt.

SUB Payments at One Plant to Total $1 Million

As a result of U. S. Steel's closing its Donora, Pennsylvania zinc works, idled employees will receive about $1 million in supplemental unemployment benefits, according to Steelworker President David McDonald. As reported in *The AFL-CIO News,* the Steelworkers praised U. S. Steel for arranging the plant shutdown date so that the workers could receive the maximum benefit from SUB. Under the plan payments began on September 1, 1957.

The union pointed out that the workers have the option of receiving either SUB benefits or severance pay—an option provided in the contract in case the plant closed down permanently. According to *The AFL-CIO News,* it is estimated that 460 workers are each eligible for some $1,800 in benefits from the trust fund, plus $1,000 in state unemployment compensation, for about one year from the date of the closing of the plant.

AFL-CIO Looks at Social Security

Reports that Social Security expenditures in the form of benefit payments are exceeding income from OASI contributions are "no cause for alarm," claims the AFL-CIO executive council. According to *The Machinist,* the council believes that "the more than $22 billion now in reserve provides an adequate cushion against temporary deficits. The rate schedule now in the law will prevent any temporary deficit from becoming permanent."

However, while the council says that present financing appears adequate, it recognizes that there are "unpredictable elements" in the system. For that reason, the AFL-CIO says it supported an amendment adopted by Congress in 1956, providing an advisory council of Social Security financing. The advisory council will review the status of the funds well in advance of each scheduled tax increase (the next is due in 1960), and make recommendations on any necessary changes in the tax rates.

According to *The AFL-CIO News,* President George Meany has also expressed his support of a new bill to increase present federal old age, survivors and disability insurance benefits by about 10%, as well as provide insurance against the costs of hospital, nursing home and surgical care for those receiving OASI benefits. President Meany notes that these improvements will require higher contributions by labor, and "organized labor is prepared to pay the additional costs. We believe the new benefits are worth it."

Unions' Financial Statements

Financial statements published by unions range in complexity and detail from very brief summaries to highly itemized and detailed reports. One example of the latter is included in the July issue of the *Typographical Journal,* monthly publication of the International Typographical Union. Receipts and expenditures for each separate union department and activity, as well as reports on the condition of each local union, are included. And detailed schedules of bond holdings are also listed.[1]

A summary of recently reported financial statements of twenty-one unions, with total assets of over $91 million, is shown in the accompanying table. Among these unions, assets range from a low of $39,000 for the United Telephone Organizations, ind., to a high of $23 million for the United Steelworkers of America.

ALBERT A. BLUM
MARIE P. DORBANDT
Division of Personnel Administration

[1] See also "Teamsters vs. Typographical Union: Comparison in Democracy," *Management Record,* September, 1957, p. 327.

Canadian Labor Press Highlights

Portable Pensions

Transfer of pension rights when an employee leaves his job has been suggested by the Canadian Labour Congress bulletin, *Labour Research.* It sees such a policy as a solution for increasing the employability and security of older workers and encouraging healthier labor mobility. CLC recommends liberal vesting provisions, multiemployer schemes, or reciprocity

(Text continued on page 368)

Finances of Twenty-One Labor Organizations, as Listed in the Labor Press

Union and Source of Data	Period Covered	Total Assets	Total Liabilities	Net Worth (Excess of Assets Over Liabilities)	Per Capita Tax	Total Income Including Per Capita Tax	Total Expenses
ookbinders, AFL-CIO *International Bookbinder*	May 1, 1956 to April 30, 1957	$2,875,975.87	*n.l.*	$2,875,975.87[a]	$781,413.63	$913,638.25	$1,067,154.41[b]
rewery Workers, AFL-CIO *The Brewery Worker*	April 1, 1956 to Mar. 31, 1957	1,514,418.07	$32,210.47	1,482,207.60	794,257.65	892,351.88	755,067.62
hemical Workers, AFL-CIO *The Chemical Worker*	July 1, 1956 to June 30, 1957	793,885.78	76,759.46	717,126.32	1,138,809.25[c]	1,182,824.66[c]	1,157,822.95[c]
ommunications Workers, AFL-CIO *CWA News*	April 1, 1956 to Mar. 31, 1957	606,584.50[c]	309,402.16[cd]	297,182.34[c]	*n.l.*	4,593,552.37[c]	4,470,952.80[c]
lectrical Workers, Int'l Bro. of AFL-CIO *The Electrical Workers' Journal*	July 1, 1956 to June 30, 1957	11,272,071.23[e]	105,028.50[e]	*n.l.*	4,820,415.00[c]	5,958,239.34[c,f]	5,151,196.10[c,g]
arment Workers of America, United, AFL-CIO *The Garment Worker*	July 1, 1956 to June 30, 1957	*n.l.*	*n.l.*	574,811.62[c,h]	*n.l.*	754,966.70[c]	751,789.79[c]
lass and Ceramic Workers, AFL-CIO *The AFL-CIO Glass Workers News*	May 1, 1956 to April 30, 1957	721,588.40	none	*n.l.*	886,989.24[c,i]	914,297.01[c]	1,128,857.27[c]
otel and Restaurant Employees AFL-CIO *Catering Industry Employee*	May 1, 1956 to April 30, 1957	4,959,022.41	*n.l.*	*n.l.*	2,051,032.40	3,481,283.04	2,463,522.00
ewspaper Guild, AFL-CIO *The Guild Reporter*	May 1, 1956 to April 30, 1957	78,498.80[c]	10,035.87[c]	*n.l.*	373,533.53[c,j]	440,901.19[c]	421,804.97[c]
ailroad Telegraphers, AFL-CIO *The Railroad Telegrapher*	May 1, 1956 to April 30, 1957	*n.l.*	*n.l.*	6,490,158.66[k]	*n.l.*	*n.l.*	*n.l.*
ailway Clerks, AFL-CIO *Railway Clerk*	Jan. 1, 1957 to June 30, 1957	11,316,188.26	130,409.80	*n.l.*	*n.l.*	*n.l.*	*n.l.*
etail Clerks, AFL-CIO *Retail Clerks International Advocate*	May 1, 1956 to April 30, 1957	3,937,736.15	*n.l.*	3,834,857.45	2,487,954.53	3,568,599.27	3,496,451.30
ubber Workers, AFL-CIO *United Rubber Worker*	Jan. 1, 1957 to Mar. 31, 1957	3,635,116.04	94,174.39	3,540,941.65	*n.l.*	*n.l.*	*n.l.*
ailors Union of the Pacific, AFL-CIO *West Coast Sailors*	April 1, 1957 to June 29, 1957	1,457,501.10[l]	*n.l.*	*n.l.*	159,867.00[c,m]	191,187.83[c]	122,357.94[c]
teelworkers, AFL-CIO *Steel Labor*	July 1, 1956 to Dec. 31, 1956	23,110,121.31	745,264.74	22,364,856.57	11,104,461.33[n]	11,324,413.79	10,319,059.36
treet, Electric Railway and Motor Coach Employees, AFL-CIO *Motorman, Conductor and Motor Coach Operator*	July 1, 1956 to June 30, 1957	12,159,642.65	62,660.75	12,096,981.90	2,724,661.43	3,119,144.22	2,642,713.13
nited Telephone Organizations, ind. *U.T.O. News*	May 1, 1956 to April 30, 1957	39,444.79	685.82	38,758.97	*n.l.*	69,448.71[c]	64,155.77[c]
ypographical Union, AFL-CIO *The Typographical Journal*	May 21, 1956 to May 20, 1957	12,147,588.33	*n.l.*	*n.l.*	646,159.00[c]	15,737,918.82	16,835,790.80
pholsterers, AFL-CIO *UIU Journal*	Jan. 1, 1957 to Mar. 31, 1957	214,384.47	138,259.11	76,125.36	193,809.55	350,323.41	214,447.19
tility Workers, AFL-CIO *Light*	July 1, 1956 to June 30, 1957	585,402.25	1,590.05	583,812.20	687,273.80	706,015.58	597,237.51
oodworkers, AFL-CIO *International Woodworker*	July 1, 1956 to June 30, 1957	389,445.78[l]	*n.l.*	*n.l.*	831,168.03[c,o]	1,452,929.45[c]	1,429,741.89[c]

.l. Not listed
[a] Total reserves and net worth
[b] Includes securities purchased and savings account
[c] General fund or account only
[d] Includes amounts to be distributed and general fund
[e] General and other funds but not including pension fund
[f] Cash receipts only
[g] Cash disbursements only
[h] "Balance"
[i] Dues and fees from locals
[j] Regular members only
[k] Total balances of all funds
[l] Cash and securities in banks
[m] Dues and assessments
[n] Dues less per capita refunds
[o] International per capita tax

between schemes as means of gaining "portable" pensions.

Under existing plans, CLC contends that the mobile worker may qualify for little or no pension after many years of work, and that while pensions may cut down labor turnover, they may also discourage the hiring of older workers.

On the effect of vesting on labor mobility, the bulletin states: "Employees who want steady employment in one location . . . will stay because they are sufficiently satisfied with their work. . . . On the other hand, ambitious and capable employees are not likely to be retained by lack of vesting. . . . The one group of employees who will tend to be retained by lack of vesting are the misfits who should be terminated both in their own interest and that of the employer."

Commenting on the CLC's findings, the Canadian edition of *Steel Labor* adds that the portability of pensions should "preferably" be nationwide. And in a separate article, *Steel Labor* asks if a "Nationwide Contributory Plan [is] Coming?" The Steelworkers recall that during the election campaign, the new Minister of Transport said he favors a system similar to OASI in the United States.[1]

Union Agreement and Disagreement

Proposed United States protective tariffs find the Canadian and American branches of the International Union of Mine, Mill and Smelter Workers, ind., in opposition. The union in the United States is urging higher tariff protection for American base metal mines, while Mine-Mill in Canada has presented a brief to its Federal Government urging retaliatory action should such tariffs be introduced, as Canadian base metal mines are continuing to close down due to the falling prices of base metals.

According to the *Mine-Mill Herald,* this retaliatory action could take the form of restrictions of exports to the United States of nickel, iron ore, asbestos and pulp and paper. The brief also urges the government to redevelop European and Asiatic markets for Canadian lead, zinc and copper.

Although similarly troubled at times with the effect of exports and imports on employment, the Canadian UAW has been in complete agreement recently with its American brothers on one aim — to delay the construction of an atomic power plant at Monroe, Michigan. The UAW has won endorsement from local township councils for its resolution that the Canadian Government intervene "on the highest diplomatic levels" with the United States Government to assure "that the plant will not be operated until there is unanimity in the scientific community on the absolute safety to the general public of this fast breeder reactor."

As reported in the *CLC News,* among other union papers, the UAW's Canadian director says there is "nothing ideological" in the matter, but rather the union's "whole concern is that there is great public danger in this plant being built where it is."

Shirley Manning
Canadian Office

[1] The present form of old-age assistance provided by the Canadian Government consists of a flat $46 per month paid to all citizens when they reach seventy years of age. The pension is tax free except as it shows in the earnings of those recipients who reach a tax-paying bracket; then it comes under the regular personal income tax.

Management Bookshelf

Readings in Personnel Management from Fortune—This is a compilation of *Fortune* articles dealing with various phases of personnel management, including areas of communications, human relations, incentives, fair employment practices, organization structure and relationships, and executive development. The twenty-two articles include contributions by William H. Whyte, Jr., Perrin Stryker, Russell W. Davenport and Herrymon Maurer among others. *Edited by William M. Fox, Henry Holt and Company, New York, New York, 1957, 117 pp., $1.95.*

Engineering Enrollment in the United States—This volume presents basic statistics on enrollment in engineering schools in this country and suggests possible interpretations of these trends. The coverage is comprehensive and includes individual chapters on aeronautical, agricultural, chemical, civil, electrical, industrial, and mechanical engineering, among others.

The study concludes that the current shortage of engineering talent is particularly critical regarding engineers with a high degree of mathematical and scientific orientation, as well as those with unusual analytic and design creativity. The editor feels that rather than merely trying to increase the total supply of engineers, attention should be focused on meeting these qualitative standards. And in one chapter he proposes a new pattern for engineering education to meet these needs. *Edited by Norman N. Barish, New York University Press, Inc., New York, New York, 1957, 226 pp., $7.50.*

Twenty-First Annual Meeting, Industrial Hygiene Foundation—This Transactions Bulletin No. 30 presents the proceedings of the management, medical, legal, chemical-toxicological, engineering, and joint technical conferences of the annual meeting of the Industrial Hygiene Foundation. Subjects discussed cover a broad range: "Application of Communication to Industrial Health," "Air Pollution Control," "Effective Educational Techniques in Industrial Health Counseling," "Practical Industrial Air Cleaning Problems," "Health Problems Involved in the Manufacture, Sale and Use of Toxic Materials," etc. *Industrial Hygiene Foundation of America, Pittsburgh, Pennsylvania, 1957, 281 pp. $5.*

August Food Prices Lead Advance

Despite the continued uptrend, the increases recorded for the food index in August are slightly less than those chalked up in June and July

RETAIL PRICES, according to THE CONFERENCE BOARD's consumer price index, continued to climb as a 0.3% increase was recorded in August, 1957. This latest price rise brought the total gain for the first eight months of the year to 1.8%; and 1.0% of this gain came during the three summer months. The all-items index for the United States, establishing its eleventh high over the past twelve-month period, reached 105.1 (1953 = 100), which is 2.7% above August, 1956.

The purchasing value of the August, 1957, dollar at 95.1 cents (1953 dollar = 100 cents) was 0.3 cent below the previous month and 2.8 cents under the year-ago level.

The continuing upward trend of food prices was the major factor pushing the all-items index to its new high. Over the month, food rose 0.7%, with lesser increases reported for sundries and apparel; these were up 0.5% and 0.3%, respectively. Housing and transportation costs showed no change. Although higher food costs have been primarily responsible for the rise in the general price level over the past quarter, there has been some slackening in the upward pressure during this period. Price increases recorded by food have been slightly smaller each month since June, and food prices appear to have reached their seasonal peak in August.

CHANGES IN FOOD

The rise in food costs in August was the result of substantial advances for fresh meats and eggs and a smaller rise for cereal and bakery products. The sharp drop in the prices of fruits and vegetables could not reverse the upward trend of these food groups.

Meat, fish and poultry prices advanced 2.8%, with pork up 4.6%. Beef moved ahead 2.9% during August as meats recorded their largest price hike for any month in the past few years. At the same time, poultry was 1.7% higher; and fish prices rose fractionally. Dairy products and eggs (up 2.5%) was the second group to show a heavy increase—because of a 10.0% jump in egg prices. Fresh milk rose 1.2%, with almost all other items in the group advancing. Only butter registered a fractional decline. Cereal and bakery products were up a moderate 0.2%.

The drop of 3.3% in the price of fruits and vegetables was the result of the arrival of plentiful supplies of fresh fruits and vegetables in the market. Fresh vegetables were down 4.1%, with only potatoes (up 3.6%) moving against the downward trend. Fresh fruits were also lower in price as were all other components of the index group.

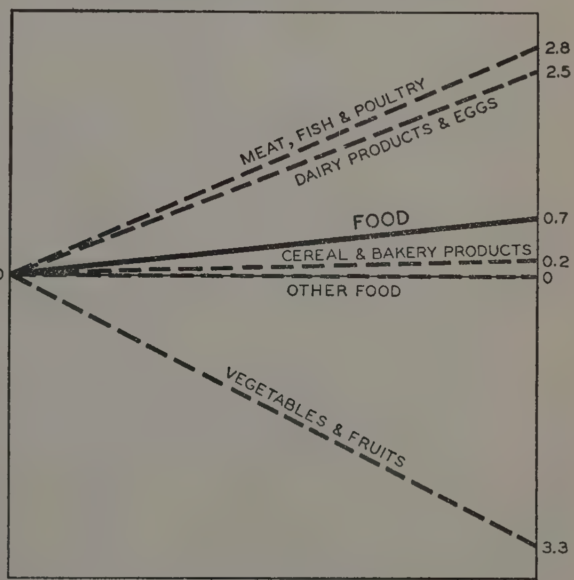
The "other food" group remained unchanged as higher sugar prices were balanced by declines in coffee and fats and oils.

THE NONFOOD GROUPS

Sundries, registering a 0.5% advance over the month, continued to lead the nonfood groups. During the first six months of 1957, this index established a gradual upward trend with about a 0.2% rise each month; but since July, sundries' costs have started to move ahead at the rate of 0.5% a month. The sharper price hikes for medical care (up 0.5%) and alcoholic beverages and tobacco (up 0.9%) have provided the added impetus for this fast rise. Recreational costs (up 0.2%) and personal care (up 0.1%) also added to the over-all increase.

Apparel costs, which had been very stable in June

Chart 1: Per Cent Change of Food and Subgroups over the Month



Consumer Price Index—United States

Cities over 50,000 population

1953 = 100

	ALL ITEMS	FOOD: Total	FOOD: Meat, Fish, Poultry	FOOD: Cereal, Bakery Products	FOOD: Dairy Products, Eggs	FOOD: Fruits, Vegetables	FOOD: Other Food at Home	HOUSING: Total	HOUSING: Rent	HOUSING: Fuel, Power, Water: Total	HOUSING: Fuel, Power, Water: Gas	HOUSING: Fuel, Power, Water: Electricity
1956 February	101.1	97.3	88.0	104.9	96.9	101.5	105.3	102.4	107.1	105.6r	108.9r	101.9
March	101.1	97.0	87.4	104.9	96.0	101.7	105.8	102.6	107.2	105.7r	108.9r	102.0
April	101.0	97.0	87.2	104.9	94.7	102.4	106.4	102.6	107.5	105.7r	109.1r	102.0
May	101.2	97.7	88.5	105.0	94.4	105.6	106.7	102.6	107.6	105.3r	109.1r	102.0
June	101.7	99.2	89.9	105.3	94.3	112.1	107.4	102.7	107.7	105.3r	108.9r	102.0
July	102.1	100.1	90.9	105.5	95.1	114.2	108.0	102.8	107.9	103.9	106.0	102.0
August	102.3	100.4	92.5	105.7	96.5	100.8	108.5	103.0	108.0	104.0	106.1	102.0
September	102.4	100.3	93.6	105.8	97.4	105.8	109.1	103.3	108.1	104.3	106.5	102.0
October	102.7	100.8	95.1	106.4	99.0	102.7	109.7	103.4	108.4	104.7	106.5	102.4
November	103.2	100.5	93.5	106.6	99.7	102.1	110.1	103.6	108.5	105.3	106.8	102.4
December	103.2	100.5	92.6	106.8	99.1	103.3	110.4	103.7	108.6	105.5	106.5	102.4
1956 Annual Average	101.9	99.0	90.7	105.6	96.8	105.2	107.8	102.9	107.8	105.0r	107.7r	102.1
1957 January	103.4	100.2	91.7	107.1	97.8	104.1	110.8	104.5	108.7	107.8	109.5	102.2
February	103.6	100.5	92.4	107.7	97.2	104.8	111.1	104.8	108.9	108.6	109.5	102.2
March	103.7	100.4	92.5	108.1	96.4	104.2	111.1	105.2	108.9	108.7	109.6	102.2
April	103.9	100.6	93.1	108.6	95.6	105.2	111.0	105.4	109.4	108.8	109.4	102.2
May	104.1	101.1	93.9	108.9	94.7	108.7	110.2	105.4	109.5	108.5	109.5	102.3
June	104.5	102.0	95.7	109.3	94.0	111.3	110.0	105.5	109.6	108.3	109.4	102.4
July	104.8	102.8	97.2	109.6	95.0	111.9	110.0	105.5	110.1	106.6	106.7	102.7
August	105.1	103.5	99.9	109.8	97.4	108.2	110.0	105.5	110.2	106.4	106.8	102.7

	HOUSING (continued): Furnishings, Equipment	HOUSING (continued): Other Household Operations	APPAREL: Total	APPAREL: Men's Apparel	APPAREL: Women's Apparel	TRANSPORTATION	SUNDRIES	PURCHASING VALUE OF DOLLAR	REBASED INDEXES: All Items (January 1939=100)	REBASED INDEXES: Purchasing Value of January, 1939 Dollar	REBASED INDEXES: All Items (1947-49 = 100)
1956 February	99.5	102.1	99.3	99.9	98.1	105.3	103.4	98.9	183.6	54.5	115.0
March	99.4	102.3	99.4	99.9	98.2	105.1	103.7	98.9	183.6	54.5	115.0
April	99.3	102.2	99.6	100.1	98.3	104.4	103.7	99.0	183.5	54.5	115.0
May	99.1	102.4	99.7	100.3	98.2	104.1	103.8	98.8	183.9	54.4	115.2
June	99.1	102.4	99.9	100.5	98.3	103.9	103.9	98.3	184.7	54.1	115.8
July	99.0	102.8	100.0	100.7	98.2	104.0	104.2	97.9	185.4	53.9	116.2
August	98.9	103.0	100.2	101.1	98.3	103.9	104.5	97.8	185.8	53.8	116.4
September	99.3	103.6	100.3	101.6	98.2	104.1	104.7	97.6	186.0	53.8	116.6
October	99.3	103.6	100.5	101.7	98.3	104.1	105.0	97.4	186.5	53.6	116.9
November	99.5	103.7	100.7	102.0	98.3	107.7	105.2	96.9	187.3	53.4	117.4
December	99.8	103.8	100.7	102.1	98.2	107.9	105.4	96.9	187.5	53.3	117.5
1956 Annual Average	99.3	102.8	100.0	100.8	98.2	105.0	104.2	98.1	185.1	54.0	116.0
1957 January	99.8	104.5	100.8	102.3	98.2	107.8	105.5	96.7	187.8	53.3	117.7
February	100.0	104.8	100.9	102.3	98.4	107.7	105.8	96.5	188.2	53.1	117.9
March	100.4	105.2	101.0	102.4	98.5	107.3	106.1	96.4	188.4	53.1	118.1
April	100.5	105.3	101.1	102.5	98.5	107.4	106.3	96.2	188.7	53.0	118.3
May	100.4	105.5	101.2	102.6	98.5	107.4	106.5	96.0	189.1	52.9	118.5
June	100.5	105.6	101.2	102.6	98.5	107.5	106.7	95.7	189.7	52.7	118.9
July	100.4	105.9	101.2	102.6	98.4	107.6	107.2	95.4	190.3	52.6	119.2
August	100.3	106.4	101.5	102.7	98.7	107.6	107.7	95.1	190.9	52.4	119.6

Consumer Price Index—United States

Annual Averages 1914-1956[a]

1953 = 100

Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar
1914	40.3	248.1	1925	67.8	147.5	1936	54.8	182.5	1947	84.7	118.1
1915	40.0	250.0	1926	68.3	146.4	1937	57.2	174.8	1948	90.1	111.0
1916	43.0	232.6	1927	66.9	149.5	1938	55.7	179.5	1949	88.8	112.6
1917	51.3	194.9	1928	65.9	151.7	1939	55.0	181.8	1950	90.0	111.1
1918	59.5	168.1	1929	65.6	152.4	1940	55.4	180.5	1951	97.0	103.1
1919	67.6	147.9	1930	63.4	157.7	1941	58.3	171.5	1952	99.5	100.5
1920	77.8	128.5	1931	57.0	175.4	1942	64.5	155.0	1953	100.0	100.0
1921	66.8	149.7	1932	50.9	196.5	1943	68.2	146.6	1954	100.2	99.8
1922	63.6	157.2	1933	49.0	204.1	1944	69.1	144.7	1955	100.3	99.7
1923	65.4	152.9	1934	51.8	193.1	1945	70.2	142.5	1956	101.9	98.1
1924	66.1	151.3	1935	53.6	186.6	1946	74.9	133.5			

a Indexes from 1914 through 1919 are for the month of July only and are not annual averages

r-revised

Consumer Price Indexes for Individual Cities

NOTE: These indexes show changes in consumer prices only. They do not show intercity differences in price level or standard of living.

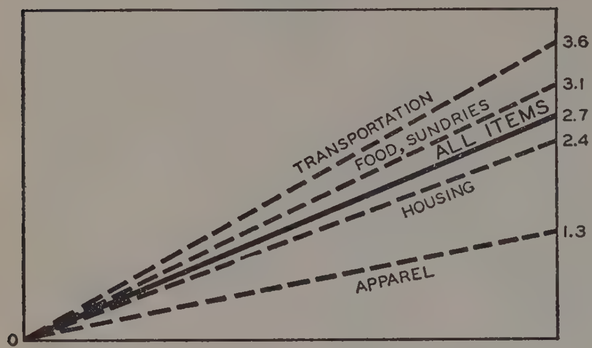
Cities Surveyed Monthly

	Index Numbers 1953 = 100			Percentage Changes	
	Aug. 1957	July 1957	Aug. 1956	July 1957 to Aug. 1957	Aug. 1956 to Aug. 1957
Chicago					
All Items	107.6	107.5	104.6	+0.1	+2.9
Food	105.0	104.5	101.3	+0.5	+3.7
Housing	110.4	110.6	108.3	−0.2	+1.9
Apparel	101.3	101.4	100.8	−0.1	+0.5
Transportation	109.7	109.7	103.6	0	+5.9
Sundries	109.6	109.3	106.6	+0.3	+2.8
Houston					
All Items	105.3	104.8	102.1	+0.5	+3.1
Food	103.8	102.8	100.5	+1.0	+3.3
Housing	106.1	105.3	102.8	+0.8	+3.2
Apparel	103.0	102.8	101.1	+0.2	+1.9
Transportation	107.4	107.7	103.4	−0.3	+3.9
Sundries	106.1	105.9	102.9	+0.2	+3.1
Los Angeles					
All Items	104.9	104.7	101.1	+0.2	+3.8
Food	103.2	102.6	98.2	+0.6	+5.1
Housing	104.1	104.1	101.2	0	+2.9
Apparel	101.8	101.4	99.8	+0.4	+2.0
Transportation	107.7	107.7	103.4	0	+4.2
Sundries	108.1	108.1	104.1	0	+3.8
New York					
All Items	105.3	105.1	102.5	+0.2	+2.7
Food	104.6	103.9	100.8	+0.7	+3.8
Housing	105.2	105.2	103.2	0	+1.9
Apparel	100.1	99.7	99.0	+0.4	+1.1
Transportation	116.4	116.4	113.0	0	+3.0
Sundries	105.6	105.6	102.5	0	+3.0

Cities Surveyed Quarterly

	Index Numbers 1953 = 100			Percentage Changes	
	Aug. 1957	May 1957	Aug. 1956	May 1957 to Aug. 1957	Aug. 1956 to Aug. 1957
Akron					
All Items	105.9	104.9	103.8	+1.0	+2.0
Food	103.7	102.4	101.7	+1.3	+2.0
Housing	106.8	106.7	104.8	+0.1	+1.9
Apparel	101.1	100.3	100.2	+0.8	+0.9
Transportation	107.5	108.0	105.2	−0.5	+2.2
Sundries	109.4	106.8	106.6	+2.4	+2.6
Baltimore					
All Items	105.1	104.2	102.5	+0.9	+2.5
Food	102.7	100.5	100.0	+2.2	+2.7
Housing	105.7	105.3	103.2	+0.4	+2.4
Apparel	102.2	102.5	101.4	−0.3	+0.8
Transportation	107.3	107.8	102.9	−0.5	+4.3
Sundries	108.7	107.1	106.0	+1.5	+2.5
Boston					
All Items	105.6	104.3	102.6	+1.2	+2.9
Food	103.6	100.5	100.2	+3.1	+3.4
Housing	106.8	106.9	103.8	−0.1	+2.9
Apparel	101.7	100.8	100.2	+0.9	+1.5
Transportation	105.1	105.4	104.3	−0.3	+0.8
Sundries	109.7	107.4	105.1	+2.1	+4.4
Chattanooga					
All Items	103.5	102.3	100.6	+1.2	+2.9
Food	100.2	97.5	96.7	+2.8	+3.6
Housing	102.5	102.1	100.7	+0.4	+1.8
Apparel	104.4	104.2	102.3	+0.2	+2.1
Transportation	108.0	108.5	104.5	−0.5	+3.3
Sundries	107.8	106.7	104.1	+1.0	+3.6
Dallas					
All Items	103.3	102.9	101.1	+0.4	+2.2
Food	101.2	99.5	99.8	+1.7	+1.4
Housing	103.8	103.4	101.5	+0.4	+2.3
Apparel	101.8	101.6	99.8	+0.2	+2.0
Transportation	102.9	104.7	101.0	−1.7	+1.9
Sundries	106.8	106.0	102.8	+0.8	+3.9
Detroit					
All Items	106.5	105.7	103.3	+0.8	+3.1
Food	106.6	106.1	102.1	+0.5	+4.4
Housing	106.7	106.4	104.7	+0.3	+1.9
Apparel	101.4	100.6	100.2	+0.8	+1.2
Transportation	106.7	105.5	102.7	+1.1	+3.9
Sundries	109.1	107.1	105.2	+1.9	+3.7
Duluth-Superior					
All Items	106.2	104.4	103.4	+1.7	+2.7
Food	105.0	100.7	102.9	+4.3	+2.0
Housing	106.8	106.5	104.0	+0.3	+2.7
Apparel	100.3	100.3	98.9	0	+1.4
Transportation	107.8	107.7	103.8	+0.1	+3.9
Sundries	109.8	106.8	105.4	+2.8	+4.2
Richmond					
All Items	103.9	102.8	101.6	+1.1	+2.3
Food	101.4	98.8	99.5	+2.6	+1.9
Housing	104.9	104.7	102.5	+0.2	+2.3
Apparel	101.5	101.0	100.2	+0.5	+1.3
Transportation	106.1	105.4	101.9	+0.7	+4.1
Sundries	106.3	105.1	104.0	+1.1	+2.2
Rochester					
All Items	105.0	104.0	102.4	+1.0	+2.5
Food	106.6	103.5	102.8	+3.0	+3.7
Housing	103.6	103.6	102.0	0	+1.6
Apparel	100.4	100.4	99.8	0	+0.6
Transportation	104.6	105.2	102.5	−0.6	+2.0
Sundries	107.7	106.9	103.9	+0.7	+3.7
St. Louis					
All Items	104.1	103.0	101.6	+1.1	+2.5
Food	102.7	100.1	100.7	+2.6	+2.0
Housing	103.9	103.3	101.7	+0.6	+2.2
Apparel	103.7	103.4	101.2	+0.3	+2.5
Transportation	105.8	105.5	102.8	+0.3	+2.9
Sundries	105.7	105.1	102.5	+0.6	+3.1
San Francisco-Oakland					
All Items	105.6	105.2	103.0	+0.4	+2.5
Food	102.6	103.1	100.5	−0.5	+2.1
Housing	105.6	105.1	103.3	+0.5	+2.2
Apparel	102.8	101.9	101.2	+0.9	+1.6
Transportation	106.0	105.6	101.8	+0.4	+4.1
Sundries	110.9	109.9	107.9	+0.9	+2.8
Wilmington					
All Items	105.7	104.4	101.9	+1.2	+3.7
Food	102.6	100.6	99.6	+2.0	+3.0
Housing	105.3	105.0	102.7	+0.3	+2.5
Apparel	101.5	100.9	100.4	+0.6	+1.1
Transportation	106.6	107.4	101.8	−0.7	+4.7
Sundries	113.4	109.3	105.0	+3.8	+8.0

Chart 2: Per Cent Change of United States Index and Its Components from August, 1956, to August, 1957



and July, rose 0.3% in August, with increases reported for both men's and women's apparel. Men's clothing was up only 0.1%, but women's apparel rose 0.3%—the largest monthly increase for this index in 1957. Footwear prices were reportedly higher for both groups. Higher charges for dry cleaning and shoe repair also helped to push the apparel index up.

Housing costs were unchanged for the second consecutive month. Lower prices for fuel and housefurnishings offset increases in rents, household operations and repair costs. The trend of rising service costs and declining prices for goods continued into August, with the weakness in the price of goods offsetting higher service costs. Transportation costs also remained at their July levels as lower car prices were balanced by higher public transportation charges.

SINCE A YEAR AGO

Compared with a year ago, prices were higher for all commodity groups. Although transportation rates (up 3.6%) recorded the largest advance, the 3.1% increases for both food and sundries had a greater effect upon the general price level due to the weighting of these indexes. Housing costs were 2.4% higher, and apparel registered a modest increase of 1.3% above August, 1956.

Food costs, which have been trending upward all year, now stand at 103.5, which is 3.1% over last year. All commodity groups in the food index except fruits and vegetables reported higher prices. Meat, fish and poultry jumped a full 8.0% as fresh pork prices climbed 12.6% over the year. Beef was up 8.8%; fish rose 2.0%; and chicken was up 0.2%. The cereal and bakery products index rose 3.9%, with bakery products, especially bread, at a much higher level than a year ago. The "other food" index moved up 1.4% in the face of a 2.7% drop for coffee; this decline could not balance higher prices for sugar, tea, and margarine. The dairy products and eggs index was up 0.9%—the smallest group rise in food. Lower egg prices did not offset advances for fresh milk, evaporated milk, and cheese. The sharp decline of fruits and vegetables reflected a drop of more than 25% in the price of potatoes. Heavy declines were also recorded for frozen fruits and vegetables. Only fresh fruits were higher than a year ago, but they could not stem the downward movement of the other items.

All parts of sundries have moved ahead since August, 1956. The greatest changes were registered by medical care and alcoholic beverages and tobacco. Higher transportation costs reflected increases for public transportation rates and automobile maintenance.

The 2.4% increase in the housing index was the result of increases in all components. Advances ranged from 3.3% in housefurnishings to 1.4% in household equipment.

Over the year, men's clothing was up 1.6% while women's apparel only advanced 0.4%. During the same period, a 3.0% price hike was recorded for clothing service charges.

Harry S. Denning
Division of Consumer Economics

Management Bookshelf

Consumer Behavior and Motivation—This volume is made up of papers read at the 1955 marketing symposium held by the marketing department of the University of Illinois. The methods and the meaningfulness of studies of motivational and behavioral patterns in regard to their application in the solution of marketing problems are considered, as well as some of the techniques used in the measurement of such motivational and behavioral patterns. The book also contains a short bibliography on consumer behavior and motivation. *Edited by Robert H. Cole, the Bureau of Economic and Business Research, College of Commerce and Business Administration of the University of Illinois, Urbana, Illinois, 1956, 121 pp. $1.*

Scope, Objectives, and Functions of Occupational Health Programs—This booklet explains what the American Medical Association believes an occupational health program should encompass. Explained also are the objectives of an occupational health program, the activities required to attain these objectives and the personnel needed to carry on the activities. *The Council on Industrial Health, American Medical Association, Chicago, Illinois, 1957, 10 pp., Free.*

The Psychology of Careers—This book by a Columbia University professor looks at the problem of vocational adjustment primarily from the viewpoint of the employee. Nevertheless it will be of interest to company executives, especially to employment managers. Relevant material about occupations, what they offer the worker and what they demand of him, is included. The writing is not highly technical. *By Donald E. Super, Harper & Brothers, New York, New York, 1957, 362 pp., $5.75.*

Significant Labor Statistics

Item	Unit	1957							Year Ago	Percentage Change	
		August	July	June	May	April	Mar.	Feb.		Latest Month over Previous Month	Latest Month over Year Ago
Consumer Price Indexes											
All Items	1953 = 100	105.1	104.8	104.5	104.1	103.9	103.7	103.6	102.3	+0.3	+2.7
Food	1953 = 100	103.5	102.8	102.0	101.1	100.6	100.4	100.5	100.4	+0.7	+3.1
Housing	1953 = 100	105.5	105.5	105.5	105.4	105.4	105.2	104.8	103.0	0	+2.4
Apparel	1953 = 100	101.5	101.2	101.2	101.2	101.2	101.0	100.9	100.2	+0.3	+1.3
Transportation	1953 = 100	107.6	107.6	107.5	107.4	107.4	107.3	107.7	103.9	0	+3.6
Sundries	1953 = 100	107.7	107.2	106.7	106.5	106.3	106.1	105.8	104.5	+0.5	+3.1
Purchasing value of dollar	1953 dollars	95.1	95.4	95.7	96.0	96.2	96.4	96.5	97.8	−0.3	−2.8
(*BLS*) All items	1947–1949 = 100	121.0	120.8	120.2	119.6	119.3	118.9	118.7	116.8	+0.2	+3.6
Employment Status[1]											
Civilian labor force	thousands	68,994	70,228	69,842	67,893	66,951	66,746	66,311	68,947	−1.8	+0.1
Employed	thousands	66,385	67,221	66,504	65,178	64,261	63,865	63,190	66,752	−1.2	−0.5
Agriculture	thousands	6,823	7,772	7,534	6,659	5,755	5,434	5,195	7,265	−12.2	−6.1
Nonagricultural industries	thousands	59,562	59,449	58,970	58,519	58,506	58,431	57,996	59,487	+0.2	+0.1
Unemployed	thousands	2,609	3,007	3,337	2,715	2,690	2,882	3,121	2,195	−13.2	+18.9
Wage Earners[2,3]											
Employees in nonagr'l establishm'nts	thousands	*p* 52,838	*r* 52,600	*r* 52,881	*r* 52,482	52,245	51,894	51,704	52,258	+0.5	+1.1
Manufacturing	thousands	*p* 16,949	*r* 16,698	*r* 16,852	16,762	16,822	16,933	16,945	17,035	+1.5	−0.5
Mining	thousands	*p* 854	*r* 856	*r* 858	835	833	831	833	839	−0.2	+1.8
Construction	thousands	*p* 3,299	*r* 3,280	*r* 3,232	3,082	2,906	2,756	2,673	3,361	+0.6	−1.8
Transportation and public utilities	thousands	*p* 4,223	*r* 4,202	*r* 4,181	4,156	4,153	4,147	4,120	4,190	+0.5	+0.8
Trade	thousands	*p* 11,505	*r* 11,510	*r* 11,505	11,411	11,428	11,265	11,225	11,198	A	+2.7
Finance	thousands	*p* 2,393	2,392	2,359	2,329	2,320	2,310	2,301	2,361	A	+1.4
Service	thousands	*p* 6,506	*r* 6,524	*r* 6,551	6,520	6,432	6,317	6,273	6,293	−0.3	+3.4
Government	thousands	*p* 7,109	*r* 7,138	*r* 7,343	*r* 7,387	7,351	7,335	7,334	6,981	−0.4	+1.8
Production and related workers in mfg. employment											
All manufacturing	thousands	*p* 13,031	*r* 12,783	*r* 12,955	12,894	12,960	13,085	13,114	13,256	+1.9	−1.7
Durable	thousands	*p* 7,481	*r* 7,427	*r* 7,603	7,600	7,635	7,693	7,721	7,572	+0.7	−1.2
Nondurable	thousands	*p* 5,550	*r* 5,356	*r* 5,352	5,294	5,325	5,392	5,393	5,684	+3.6	−2.4
Average weekly hours											
All manufacturing	number	*p* 39.9	*r* 39.7	40.0	39.7	39.8	40.1	40.2	40.3	+0.5	−1.0
Durable	number	*p* 40.2	*r* 40.0	40.6	40.2	40.5	40.7	40.9	40.8	+0.5	−1.5
Nondurable	number	*p* 39.4	*r* 39.4	39.2	38.9	38.8	39.2	39.3	39.6	0	−0.5
Average hourly earnings											
All manufacturing	dollars	*p* 2.07	*r* 2.07	2.07	2.06	2.06	2.05	2.05	1.98	0	+4.5
Durable	dollars	*p* 2.20	2.20	2.19	2.18	2.18	2.18	2.17	2.10	0	+4.8
Nondurable	dollars	*p* 1.89	1.90	1.89	1.88	1.87	1.87	1.86	1.81	−0.5	+4.4
Average weekly earnings											
All manufacturing	dollars	*p* 82.59	*r* 82.18	82.80	81.78	81.99	82.21	82.41	79.79	+0.5	+3.5
Durable	dollars	*p* 88.44	*r* 88.00	88.91	87.64	88.29	88.73	88.75	85.68	+0.5	+3.2
Nondurable	dollars	*p* 74.47	*r* 74.86	74.09	73.13	72.56	73.30	73.10	71.68	−0.5	+3.9
Straight time hourly earnings (estimated)											
All manufacturing	dollars	*p* 2.02	*r* 2.02	2.01	2.01	2.01	1.99	1.99	1.92	0	+5.2
Durable	dollars	*p* 2.14	2.14	2.12	2.12	2.11	2.11	2.10	2.03	0	+5.4
Nondurable	dollars	*p* 1.85	1.86	1.85	1.84	1.83	1.83	1.82	1.77	−0.5	+4.5
Turnover Rates in Manufacturing[2]											
Separations	per 100 employees	*n.a.*	3.2	3.0	3.4	3.3	3.3	3.0	3.9	*n.a.*	*n.a.*
Quits	per 100 employees	*n.a.*	1.4	1.3	1.4	1.3	1.3	1.2	2.2	*n.a.*	*n.a.*
Discharges	per 100 employees	*n.a.*	0.2	0.2	0.3	0.2	0.2	0.2	0.3	*n.a.*	*n.a.*
Layoffs	per 100 employees	*n.a.*	1.4	1.1	1.5	1.5	1.5	1.4	1.2	*n.a.*	*n.a.*
Accessions	per 100 employees	*n.a.*	3.2	3.9	3.0	2.8	2.8	2.8	3.8	*n.a.*	*n.a.*

[1] Bureau of the Census. Beginning with January, 1957, employment status figures reflect slightly modified definitions of employment and unemployment.
[2] Bureau of Labor Statistics.
[3] The BLS has adjusted its nonfarm employment and hours and earnings series to first quarter 1955 benchmark levels. The benchmark level is the total count of workers covered in each industry, and in this instance the data were received from government social insurance programs. The adjustment affects all figures since February, 1956.

p Preliminary. *r* Revised. A Less than .05% change.
n.a. Not available at time of publication.

Significant Pay Settlements in the United States

Verified by The Conference Board

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
Durable Manufacturing		
1. Babcock & Wilcox Co. with Boilermakers at Barberton, Ohio. 4,600 hourly Effective 7-1-57. Contract expired New contract: 2 years. Next reopening 7-15-58	5% general increase (10.3¢ per hour average)	Added: 7th paid holiday. Insured disabili pay. Jury duty pay. Revised: Vacation schedule. Basic medic plan
2. Electro-Metallurigical Co. (Div. of Union Carbide and Chemical Co.) with Oil, Chemical and Atomic Workers at Alloy, W. Va. 1,900 hourly Effective 7-8-57. Contract expired New contract: 3 years. Next reopening 7-2-58	15¢ per hour general increase	Added: 8th paid holiday Revised: Supplements to workmen's compe sation. Company-paid sick leave. Severan pay. Holiday pay
3. Fruehauf Trailer Co. with IAM at Westfield, Mass. 475 hourly Effective 7-2-57. Contract expired New contract: 1 year	9¢ per hour general increase	Added: 1 holiday
4. Lehigh Portland Cement Co. with Cement, Lime and Gypsum Workers at Mitchell, Ind. and Saugerties, N. Y. 450 hourly Effective 7-28-57. Contract expired New contract: 9 months	11¢ per hour general increase (7% average) 2.6¢ per hour wage adjustments	Revised: Vacation schedule. Overtime ar holiday pay
5. Louisville Cement Co. with Cement, Lime and Gypsum Workers at Speed, Ind. and Brixment, N. Y. 650 hourly Effective 8-1-57. Contract expired New contract: 11 months	11¢ to 20¢ per hour general increase (7% average), includes 10¢ per hour retroactive to 6-24-57. Additional 2.6¢ per hour inequity adjustments Premium increases for Sunday work and shifts	Revised: Vacation schedule. Holiday pa Overtime pay
6. National Rejectors Inc. with IAM and Metal Polishers at St. Louis, Mo. 760 hourly Effective 8-1-57. Contract expired New contract: 1 year	10¢ per hour general increase	Added: 8th paid holiday
7. Riverside Cement Co. with Cement, Lime and Gypsum Workers at Riverside, Crestmore, and Oro Grande, Calif. 700 hourly Effective 5-1-57 (signed 7-29-57). Contract expired New contract: 1 year	6% general increase (13.2¢ per hour average)	Revised: Vacation schedule. Overtime pa Sunday pay
Nondurable Manufacturing		
8. American Oil Co. with Oil, Chemical and Atomic Workers at Texas City, Tex.; and Carteret, N. J. 1,755 hourly Effective 7-1-57 at Texas City and 5-1-57 at Carteret (Carteret contract signed 7-30-57). Contracts expired New contract: 2 years, Texas City; 1 year, Carteret. Next reopening 7-1-58 (Texas City)	6% average increase	Added: Major medical insurance Revised: Basic medical plan. Life insuranc Health and life insurance for retired. En ployee thrift plan. Vacation schedule. Hol day pay (all for Texas City and Cartere Pension plan (Texas City only)
9. Bemis Bro. Bag Co. with Textile Workers at Flemington, N. J. 85 hourly Effective 7-26-57. First contract Duration: 1 year	7.75¢ per hour general increase	Revised: Jury duty pay. Funeral leave pa
10. Congoleum-Nairn, Inc. with Rubber Workers at Wilmington, Del.; and Kearny and Trenton, N. J. 1,497 hourly Effective 8-17-57. Contract expired New contract: 1 year	8¢ per hour general increase (4.06% average)	Revised: Basic medical plan. Paid funer leave. Vacation schedule
11. Crossett Chemical Co. with Woodworkers at Crossett, Ark. 160 hourly Effective 7-15-57. Contract expired New contract: 1 year	5% general increase. Additional 5¢ per hour to maintenance employee	No change

Significant Pay Settlements in the United States—Continued

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
2. Eastern Corp. with Pulp, Sulphite and Paper Mill Workers; and Papermakers and Paperworkers at Brewer and Lincoln, Me. 1,059 hourly Effective 7-1-57. Contract expired New contract: 1 year	9¢ per hour general increase (4% average). 2¢ per hour additional to journeymen and helpers	Revised: Vacation schedule. Holiday pay
3. General Tire & Rubber Co. with Rubber Workers at Akron, Ohio; and Waco, Tex. 4,449 hourly Effective 7-22-57. Wage reopening Contract expires: 5-1-59	14.2¢ per hour general increase (5.6% average)	No change
4. Goodyear Atomic Corporation with Oil, Chemical and Atomic Workers; and United Plant Guard Workers, ind., at Portsmouth, Ohio 1,600 hourly Effective 4-30-57 and 8-5-57 (signed 8-5-57). Contract expired New contract: 3 years. Next reopening 4-30-59	13¢ per hour general increase (5.5% average) plus 1.3¢ per hour inequity adjustments Deferred increase: 9¢ per hour 4-30-58	Revised: Vacation schedule. Overtime pay
5. Hammermill Paper Co. with Papermakers and Paperworkers at Erie, Pa. 1,700 hourly Effective 6-1-57 (signed 7-27-57). Contract expired New contract: 2 years	12¢ per hour general increase (6.8% average). Inequity adjustments ranging from 3¢ to 6¢ per hour Deferred increase: 9¢ per hour 6-1-58	Added: 7th paid holiday (Dec. 24) Revised: Vacation schedule
6. Linen Thread Co., Inc. with Textile Workers at Paterson and Kearny, N. J.; and Baltimore, Md. 850 hourly Effective 8-1-57. Contract expired New contract: 3 years. Next reopening 8-1-58	No immediate increase	Revised: Pension plan
7. Monsanto Chemical Co. with Oil, Chemical and Atomic Workers at Trenton, Mich. 450 hourly Effective 8-10-57. Contract expired New contract: 2 years	5% general increase. Additional 1.7¢ or 3¢ per hour to specified employees Deferred increase: 4% 8-10-58	No change
8. St. Regis Paper Co. with Pulp, Sulphite and Paper Mill Workers at Nazareth, Pa. 110 hourly Effective 7-1-57 (signed 8-12-57). Contract expired New contract: 1 year	4.5% general increase	Revised: Vacation schedule
9. Seiberling Rubber Co. with Rubber Workers at Akron and Carey, Ohio. 1,600 hourly Effective 7-29-57. Wage reopening Contract expires: 5-1-59	15¢ per hour general increase (6% average)	No change
0. Sherwin Williams Co. with Oil, Chemical and Atomic Workers at Cleveland, Ohio. 100 hourly Effective 8-1-57. Contract expired New contract: 1 year	12.5¢ per hour general increase (6% average)	Added: 8th paid holiday Revised: Vacation schedule
1. Spencer Chemical Company with Business Representatives Council (representing 7 affiliated unions) at Joplin, Mo. 613 hourly Effective 6-1-57 (signed 7-1-57). Contract expired New contract: 1 year	15¢ per hour general increase ($6 per week) (7% average)	Revised: Vacation schedule
2. Stroehman Brothers Bakery with Bakery Workers at Philadelphia, Pa. 60 hourly Effective 8-4-57. Contract expired New contract: 1 year	12¢ per hour general increase (6% average)	Revised: Vacation schedule. Basic medical plan. Life insurance. Insured disability pay

Significant Pay Settlements in the United States—Continued

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
23. Union Carbide Nuclear Co. (Div. of Union Carbide & Chemical Corp.) with Plant Guard Workers and International Guards Union (both ind.); Oil, Chemical and Atomic Workers; and Atomic Trades and Labor Council at Paducah and Oak Ridge, Tenn. 7,320 hourly (7,000 prod. and main., 320 plant guards) Effective 7-57. Wage reopening Contract expires 10-30-58	4¢ per hour general increase Deferred increase: 2¢ per hour 1-58 in addition to 7¢ per hour 10-57 (negotiated in 1955)	No change

[1] All unions are affiliated with the AFL-CIO unless otherwise indicated.

Scanlon Incentive Plan

(Continued from page 349)

The plan contains rules that govern participation of employees who leave the company and are reemployed at a later date. For ease in accounting, new employees enter the plan beginning with the first day of the pay period following the second month of service. The Scanlon year runs from November 1 through October 31. Employees who leave the company for any reason and are then reinstated prior to October 31 of the same Scanlon year are eligible to participate in the year-end reserve distribution, prorated according to total base earnings during the year. The plan is designed to provide for monthly payments and a year-end payment if funds are available. Details for computing these payments are described later in this article.

Employees who leave the company before completing one year of continuous service are eligible to participate in the plan immediately if reinstated within one year from the date of separation. The basis for computing extra pay for these employees is according to earnings for any job classification held for a period of four or more months during their previous employment.

Labor Cost Norm

As already stated, the basis of the plan is the ratio of labor cost to total production value. Arriving at this standard was relatively easy for Pfaudler. Accurate records of costs and other accounting items were readily available for several years.

Production value is defined as the net sales shipped in each specific month, plus or minus the cost value of inventory changes in finished goods and goods in process. Cost accounting records for the twelve-month period ending October 31, 1951, were used in devising a ratio of labor costs to each dollar of production value. The actual labor ratio figure is confidential. However, the principle can be followed by assuming the calculated ratio to be 33.33%. For each 1% of savings resulting from improvement in production efficiency, employees and the company share on a 70-30 basis, with the larger portion going to the employees.

Actually, only 75% of the monthly savings or bonus is distributed in any one month. The remaining 25% is set aside as a reserve in order to protect against losses resulting from "deficit months." Losses result when the "actual straight-time payroll" is greater than the allowable labor cost ratio. For example, a total production value of $300,000 allows a labor cost of $100,000 at a ratio of 33.33%. When actual labor costs are less than the allowable, a majority of the savings are distributed as extra pay. When actual labor costs exceed the allowable, the difference is debited to the reserve fund.

If, at the end of the Scanlon year, the reserve fund exceeds the sum required to cover the deficit months, the balance is distributed as additional incentive pay in the same manner as monthly payments—on a 70-30 basis. The individual's share in the annual reserve fund is calculated on the basis of his straight-time annual earnings.

When the sum of the deficit months exceeds the amount in the reserve fund, the deficit is wiped out at the end of the Scanlon year (October 31). Such a deficit is absorbed by the company and not charged to the monthly reserve accruing during the following year.

The following is an illustration of how extra pay is calculated and distributed, assuming a labor cost ratio of 33.33%:

Sales shipped for month	$976,449.00
Less decrease in value of finished goods in inventory and goods in process	75,450.00
Total production value	$900,999.00
Labor cost allowable	$300,333.00
Actual straight-time payroll for the month	265,000.00
Savings from improvement in production efficiency	$ 35,333.00
Less 25% of savings for reserve fund	8,833.00
Savings fund after provision for reserve	$ 26,500.00
Employees' share of savings fund (70%)	$ 18,550.00
Each employee receives extra pay equal to 7% of his monthly earnings ($18,550 divided by $265,000)	

Examples of calculating extra monthly pay on the basis of 7% are as follows:

Employee	*Total straight-time hours worked*	*Hourly rate*	*Actual straight-time earnings*	*% of extra pay*	*Bonus amount*
A	183	$2.00	$366.00	7	$25.62
B	178	1.90	338.20	7	23.67
C	160	1.80	288.00	7	20.16

Extra Pay and Overtime Premiums

To comply with the overtime provisions of the Fair Labor Standards Act, the weekly pay of participating employees entitled to overtime premiums is recomputed. Weekly earnings are adjusted on the basis of the incentive pay for the month.

Overtime premiums are also recomputed when the annual reserve fund is distributed. Employees terminating their employment voluntarily before October 31 are not eligible to participate. Overtime premiums due from monthly and annual distribution of bonuses are paid by the company—that is, the premiums are not charged to the savings resulting from improvement in production efficiency.

Changes in Labor Cost Norm

Can a labor cost ratio, once established and agreed upon by company and employees, be changed? Pfaudler executives and union officials give an unequivocal "yes" to this question. The "Memorandum of Understanding" covers this point as follows:

> "The ratio between labor costs and production value is based on the record of past performance for twelve months ending October 31, 1951. Substantial changes in the conditions which prevailed in establishing the ratio of labor costs to production value may necessitate the changing of this ratio for the purpose of protecting the equity of either party in the benefits of the plan."

A new ratio might be needed because of technological changes requiring major capital expenditures. It is possible such expenditures could alter the established ratio by reducing labor costs without any increase in the productive efficiency of participating employees. As in the case of setting the initial standard, if a change is needed the accounting records are used to compute a new ratio reflecting technological advances.

Changes in the ratio could also come about from changes in selling prices and product mix. Both conditions are provided for as follows in the "Memorandum of Understanding":

> "Any general increase or decrease in selling prices may alter the ratio up or down; any general change in selling prices which disturbs the equity of either party shall be cause for reviewing the ratio of labor costs to production value in order to make appropriate and mutually agreeable adjustment. An abnormal change in product mix may require a corresponding change in the ratio. Any substantial influence not brought about by an increase or a decrease in productive efficiency will furnish sufficient reason for over-all survey of the presently established ratio."

General Pay Adjustments

One of the cardinal principles advanced by proponents of the Scanlon plan is that the potential extra pay employees can get should not be used as a substitute for fair and equitable base pay. Pfaudler has not been open to criticism that the plan is used for rejecting union demands for wage increases. The company also guards against similar criticism from nonunion employees.

Pfaudler's nonexempt employees in shop and office have received across-the-board increases keeping pace with the general rise in wages and salaries since 1952. During this same period, general pay adjustments have also been received by exempt employees. The company is always alert to changes in the wage level in the Rochester area. And periodic revisions of internal pay structures reflect these changes.

General wage and salary increases mean higher labor costs. Therefore, the labor cost norm needs to be changed in order to maintain balance in the plan and protect the equity of company and employees. However, the company has not revised the labor cost norm at any time because of adjustments in base pay. The change is avoided in two ways: (a) part or all of the increased labor cost is reflected in higher selling prices, in which case the ratio of labor cost to total production value remains unchanged; or (b) selling prices are not always raised sufficiently to absorb all the increased labor costs due to upward adjustments in base pay; but the difference between the total added labor costs and the portion passed on to customers in the form of higher prices, according to Pfaudler, comes out of increased productivity. Following the award of general increases in pay, employees continue to earn extra pay without changes in the labor cost norm.

Salary Ceiling

It is conceivable that salary costs during a low-volume month could wipe out any savings from in-

creased productivity in the shop. And, if this situation prevailed with any degree of regularity, it could easily lead to cynicism about the plan by shop employees.

To avoid this situation, during the latter part of 1955, a "salary ceiling" procedure was adopted to level out the effect of a relatively stable salary payroll during low-volume months. One reason given for its adoption is that salary payroll represents, in large part, expenditures for research, engineering and development—long-range programs not subject to fluctuations in production.

In essence, the salary ceiling provision limits the amount of total salaries to be included as labor costs for the purpose of computing the labor cost norm. Here's how it works. As in the previous example, assume the labor cost norm is 33.33% and the total production value for a given month is $900,999. The 33.33% ratio includes salary payroll costs not in excess of 15%, leaving 18.33% for the allowable nonsalary labor costs. Whenever the total of actual salaries paid in any month is greater than the allowable 15%, the excess is deducted from the current month's payroll cost. The sum of the monthly excesses is accumulated and charged to subsequent months or the next Scanlon year if production volume is then high enough to absorb the charges. The following is an example of an application of the salary ceiling for one month:

Total production value		$900,999.00
Total labor cost allowable—33.33%		$300,333.00
Salary—15%	$135,150.00	
Nonsalary—18.33%	165,183.00	
Actual total straight-time payroll		$272,500.00
Salary	$142,650.00	
Nonsalary	129,850.00	
Savings from improvement in production efficiency		$ 27,833.00
Excess of salary labor costs above allowable 15%		7,500.00
Total savings from improvement in production efficiency to be shared for the month		$ 35,333.00

The principle of carrying forward the unabsorbed salary payroll costs is mutually satisfactory to the company and participating employees. It seems appropriate and just that this long-range concept be applied when calculating earned incentives.

Admittedly, salary costs run high for research in products, materials and applications. Yet it is research, engineering and development that make possible the long-range security which employees seek in their jobs.

Integrating the Suggestion System

As indicated by the accounting, practically all employees are covered in the plan. Coupled with this pool of almost limitless skills and experience is the integration of the company's suggestion system.

Increased productivity in all operations covered by the Scanlon plan is brought about chiefly by suggestions for saving time, effort and materials, and for utilizing tools, machines and equipment more efficiently. In other words, "speed-up" is not the means for increasing productivity. Instead, the company says that everyone is on the lookout for eliminating unnecessary work, simplifying operations, cutting down waste, etc. In the employee handbook describing the Scanlon plan is the following list of areas in which suggestions are sought:

METHODS . . . . . Can You
1. Simplify present procedures
2. Group or combine jobs
3. Eliminate any unnecessary operations
4. Simplify your own job
5. Suggest new methods

MACHINERY OR EQUIPMENT . . . . . Can You
1. Simplify any machines or equipment
2. Improve machine output
3. Improve design or construction
4. Improve quality
5. Reduce machine set-up time
6. Reduce machine down time
7. Reduce maintenance costs

MATERIALS . . . . . Can You
1. Simplify handling
2. Speed delivery
3. Find use for scrap
4. Reduce scrap, waste and spoilage
5. Reduce costs
6. Eliminate delays

PAPER WORK . . . . . Can You
1. Reduce or simplify filing
2. Combine or simplify forms
3. Eliminate unnecessary reports
4. Eliminate duplicate work
5. Reduce chances for errors
6. Reduce phone, postage or shipping costs

SELLING . . . . . Can You
1. Suggest new promotional ideas
2. Suggest new uses for products
3. Suggest new markets
4. Improve service to customers
5. Develop sales or advertising ideas or aids
6. Increase sales
7. Reduce selling costs

Can You Suggest a NEW PRODUCT
1. One that can be manufactured in our present plant with our present facilities
2. One that our present sales organization can sell

There is no payoff for individual suggestions. Employees are motivated to make suggestions that benefit all in the plan. As Pfaudler sees it, the real virtue of incorporating the suggestion system into the incentive compensation plan and doing away with cash awards is the emphasis placed on nonfinancial incentives such as:

- Recognition from fellow employees, union officers and company managers
- Utilization of skills, which are recognized when appraising employees for promotion

- Acceptance of major changes in methods, tools and machines by the work groups involved

The handling of suggestions, integrated with the Scanlon plan, bears little relation to programs providing cash awards. The conventional suggestion box is not the depository for employees' ideas at Pfaudler. And no prescribed form is used for describing suggestions. Proposals for improvement can be submitted on plain paper or they can be communicated orally to a member of one of twelve production committees set up to process suggestions.

Under the plan, Pfaudler enjoys a large and continuous flow of ideas embodying knowledge, imagination and ingenuity, heretofore untapped in the minds of its employees. Suggestions are not withheld. No thought is given to enmity or jealousy developing because of making worthwhile suggestions. And the company is not worried that foremen will block new ideas or resent constructive criticism. The direct avenues of communication between employees and production committee members are the key to the never-ending flow of new ideas and the adoption of ways and means for reducing costs.

Production Committees

The production committees are the driving force behind the integrated suggestion system. These committees are empowered to put into effect any suggestion requiring an expenditure of less than $100 that does not involve operations in other departments. The Rochester Division of Pfaudler is divided into twelve zones—eight factory and four office, with a committee for each zone. The zones are not necessarily according to the company's organization structure.

Each zone's committee is made up of one management representative appointed by the company's executive committee and one employee representative elected by his fellow workers. Employee representatives serve for one year, with elections conducted each October. Factory zone elections are managed exclusively by the union president. And office zone elections are the responsibility of respective department heads.

Committees meet at least once each month and more frequently if necessary. The management representative acts as chairman and the assistant director of industrial relations sits in as secretary. Production problems and suggestions pertaining to zone operations are discussed. Quotations and cost estimates on previously submitted suggestions are examined to decide whether they should be adopted or submitted to a screening committee.

Prior to a scheduled meeting, the management representative informs the employee representative of specific problems and suggestions to be covered. In this way the employee representative has an opportunity to confer with those concerned in order to prepare himself for the meeting. This procedure also makes it possible for the employee representative to learn if the ideas on the agenda can be further improved. The secretary, one and the same for all twelve committees, has the responsibility for preparing minutes of each meeting.

The screening committee serves as an administrative committee. It is composed of six employee representatives and six management representatives. Each employee representative is elected by fellow workers of two zones. Employee representatives cannot succeed themselves. Management representatives are appointed by the company's executive committee, can succeed themselves, and do not necessarily represent the interests of particular zones. One alternate is also elected for each employee representative. The director of industrial relations sits in as permanent secretary of the screening committee. The company president, union president, works manager, controller and assistant director of industrial relations are also permanent members. The company president acts as chairman of all meetings.

The screening committee considers, evaluates and rules on suggestions requiring expenditures in excess of $100 as well as those involving two or more departments. Also, all suggestions turned down by production committees are reported to the screening committee. Each suggestion is labeled with the name of the employee making it. Members of the committee receive assignments to follow up on accepted suggestions. In the case of a rejected suggestion, a committee member is appointed to meet with the person originating the idea and thoroughly explain to him the committee's decision.

On occasion, a significant suggestion is accepted but further investigation is held in abeyance because of its relationship to other planned projects. For example, in early 1956 the committee considered a major suggestion to change over to an inter-office dial telephone system in order to reduce the burden on the switchboard. The matter was referred to the company's executive committee for consideration while it was investigating plans for expanding the offices. One year later, the suggestion was accepted and referred to a company executive for further follow-up. With this kind of action on suggestions, Pfaudler says, there is no feeling of frustration among employees; they are always eager to come forth with their ideas since they know management is just as eager to see savings brought to fruition.

While verbatim minutes are not made of each meeting, the important points of all suggestions and problems are noted. Copies are distributed to all company officers. And production committee members get copies of those minutes that pertain to their respective zones.

The screening committee also reviews the accounting figures supporting the reported monthly savings from improvement in production efficiency. And it

acts as a board of appeal when disagreements occur at the production committee level.

Benefits to the Company

According to Pfaudler, employees have developed a confidence in management that was nonexistent prior to the Scanlon group incentive system. Even though the company has invited union officers and others to "look at the books" during the past five years, the invitation is yet to be taken up.

Cooperation between company managers and the union leadership has reached a point where it becomes difficult to measure the specific contributions made by each group. This is due to the teamwork prevailing throughout the company to keep scrap at a minimum, make quick deliveries, avoid overtime and reduce labor costs.

The company says also that its factory foremen have developed a "new look"; they are constantly on the alert to find ways to do a better job—such as helping their employees, streamlining their departments, cooperating more closely with other foremen. In short, they are developing into better leaders.

Supervisors and employees throughout the company have come to realize the "customer is the boss," according to Pfaudler. They firmly believe customers and not just the "front office" must be satisfied with Pfaudler products and quality. Prior to the adoption of the Scanlon plan, most of the production workers reported to work in the morning and "forgot about the company after quitting time." "Not so now," says the union. Everybody has become interested in the company's success. Frequently, during the coffee break, workers have a bull session on some production problem in their department. Arguments between workers and foremen over production and quality are out the window. And there is no problem regarding "controlled production," so often found in plants using an individual or small-group incentive system. (This condition occurs when employees hold back while being time studied or pressured by fellow workers to slow down.)

The two-way communication, so important to the success of a Scanlon plan, has stimulated employees at all levels to get to know company problems and their causes. For instance, they know some of the problems facing management when a slump is in the offing. And under these circumstances, they are further stimulated to come up with new ideas to cut costs. In this way, the company is placed in a better competitive position for submitting bids. In fact, both company and union representatives occasionally get together on the acceptance of orders with price tags close to or at the break-even point.

Benefits to Employees

Benefits to the employees have been equally satisfying. Since the inauguration of the plan, production committees and the screening committee accepted almost 80% of 1,642 suggestions. More than 1,200 have already been adopted and installed, while others are pending further investigation. Only 336 were rejected outright. This record of acceptance compares with not more than twenty-five suggestions per year prior to 1952.

Employees have developed a feeling of "belonging" that was previously lacking. This appears to be a very important nonfinancial incentive for them. Another characteristic permeating the atmosphere in both the shop and office is the general feeling of "accomplishment." The handling of suggestions, the company feels, should get credit for this. Acceptance of suggestions supplies a profound satisfaction. Employees carry the message home to their families and they are praised by fellow workers for "coming through."

The company is quick to say that no one should get the impression that Pfaudler has arrived at Utopia in its labor-management relations; that isn't true. However, the Scanlon plan is responsible for an atmosphere at Pfaudler that the company believes would be almost impossible to duplicate with any form of individual incentive plan.

NICHOLAS L. A. MARTUCCI
Division of Personnel Administration

Studies in Personnel Policy

No. 143—Fringe Benefit Packages
No. 142—Executive Development Courses in Universities
No. 141—Severance Pay Plans
No. 140—Management Development
No. 139—Company Organization Charts
No. 138—Bulletin Boards
No. 137—Escalators and the New BLS Index
No. 136—Employee Magazines and Newspapers
No. 135—Suggestion Systems
No. 134—Cooperative Medical Programs
No. 133—Employee Savings and Investment Plans
No. 132—Stock Ownership Plans for Workers
No. 131—Employee Induction
No. 130—Time Off with Pay
No. 129—Communicating with Employees
No. 128—Computing the Cost of Fringe Benefits
No. 127—Union Security and Checkoff Provisions
No. 126—Controls of Absenteeism
No. 125—Information Racks—A New Communications Medium
No. 124—Developments in Supervisory Training
No. 123—Letters to Nonsupervisory Employees
No. 122—Evaluating Managerial Positions
No. 121—Appraisal of Job Performance
No. 120—Executive Stock Ownership Plans
No. 119—Employee Education
No. 118—Shift Problems and Practices
No. 117—Personnel Administration in the Small Company
No. 116—Paid Vacation Practices
No. 115—Experience with Employee Attitude Surveys
No. 114—Company Military Leave Policies
No. 113—Cost of Living Provisions in Union Contracts

In the June Business Record

Did the Downturn End in May?—It certainly looks that way. Industrial production has stopped falling, and end-product demand appears to be on a plateau. But what the economic situation will be in the last half of 1954 is still unclear. The one sure thing, according to this article, is: "For the second time in five years, a sharp short-term cycle in inventory has apparently failed to set up the conditions of general, cumulative recession."

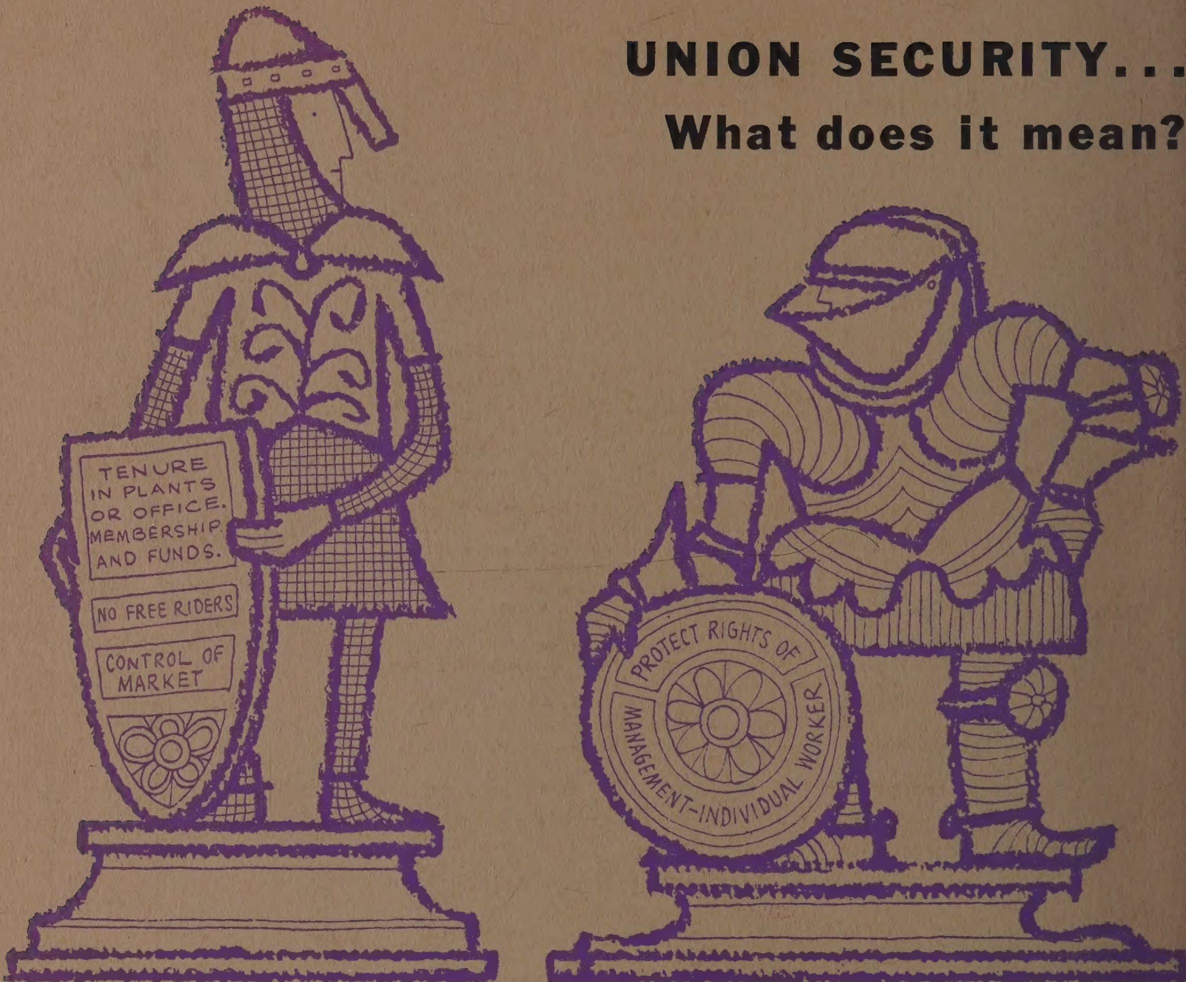
Business Reaction to Accelerated Tax Payments—The speed-up corporate-tax payment schedule called for by the revenue act of 1950 did not cause undue strain for most of the large companies surveyed by The Conference Board. However, more than one-third of the companies questioned indicated that they suffered adverse effects. The new tax revision bill would call for still earlier payment of corporate income taxes. This proposal and the existing Mills Plan are outlined in this month's survey of business practices.

A Tool To Help Call the Turns—No absolute method for predicting turns in the business cycle has been found, or is likely to be. But a new aid for analyzing business trends is available in the measure of diffusion, which shows how widespread or limited are the forces of expansion or contraction. Accompanying charts illustrate how average diffusion curves predict certain economic trends, and cumulative diffusion curves trace them out.

What's the Corporate Profits Picture?—After rising with the boom of early 1953, corporate profits dropped in the end-of-the-year slump. Early 1954 surveys indicate that profits are now above year-ago levels, with tax relief the primary factor in the improvement.

Published by THE CONFERENCE BOARD
247 Park Avenue, New York 17, N. Y.

UNION SECURITY...
What does it mean?



TO A UNION:

It means tenure in the plant or office, continuity of membership and a guarantee of funds. To some unions, it means elimination of the "free rider." To others, especially craft unions, the various forms of union security mean control of the labor market. Union officials, therefore, fight hard for tight union security agreements from their very first negotiations, and they seek to improve them in succeeding bargaining sessions.

TO AN EMPLOYER:

It means that he acts as agent for the union in getting and keeping workers in the union and in collecting their union dues. To some employers, such an agreement means assuring stability in labor relations. To others, it is anathema because it makes the individual worker's livelihood dependent upon his joining a private organization. To still others, it is a disliked but accepted part of doing business in the world as it is. Employers, in their negotiations on this issue, strive for provisions that will protect the rights of management and the individual worker.

The report "Union Security and Checkoff Provisions" looks at the various problems in this area as well as examining many others. Any company that deals with one or more unions will find vital facts in this 136-page report that can be most useful at the bargaining table. Get the study out of your files, or if you don't have it, write the Board for an extra copy.

UNION SECURITY AND CHECKOFF PROVISIONS

STUDIES IN PERSONNEL POLICY, No. 127